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ALL-SUITE LODGING INDUSTRY

3rd Annual Report
1987 Edition

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Laventhol & Horwath
Leisure Time Industries Department
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THE ALL-SUITE LODGING INDUSTRY: SIZE AND STRUCTURE

by Margaret A. Sisto
Research Division
Philadelphia, Pennsylvania

The U.S. lodging industry can be categorized into four main divisions: hotel, motor hotel, economy and all-suite. Of these, it is the all-suite segment that continues to grow most rapidly. There has been a tremendous amount of development in this dynamic segment, which is comprised of both independent properties and chains, each sharing approximately 50 percent of the total all-suite market. Over the next few years, Laventhol & Horwath anticipates that 5 percent of the total rooms in the U.S. lodging market will comprise the all-suite segment. Each year additional all-suite facilities are entering the lodging market, as all but a few states have adopted the idea of the all-suite hotel. Perhaps as competition stirs, the industry will experience the growth of the all-suite property in these remaining states that have yet to enter the market.

Currently, L&H has identified approximately 750 all-suite properties, consisting of approximately 120,000 rooms, in the United States. These properties are part of L&H's Inventory of the Lodging Industry (ILI) data base. A standard report supplies information on specific market segments regarding size, type, region, state, chain affiliation, rack rates, location (center city, suburban, airport, highway and resort) and metropolitan statistical area (MSA). Another report, the profile report, contains the hotel name, address, management company and the general manager's name when available. A report can cover the industry as a whole or may be tailored to fit one's specific needs. Presently the ILI contains more than 28,000 properties with over 2.8 million rooms with an average rack rate of over $50. These lodging establishments comprise approximately 99.9 percent of the lodging industry nationwide with more than 25 rooms.

The Southern part of the United States has the largest number of all-suite facilities (Chart 1). Florida and Texas contain more than one-quarter of the entire all-suite population, with 28.6 percent of the properties located in these two states. Other states that contain a large number of all-suite properties are California (15 percent) and Hawaii (8.6 percent), both located in the Western breakdown. More than 50 percent of the properties in the all-suite market are located in these four states, all of which are home to an abundance of tourist attractions and special features.

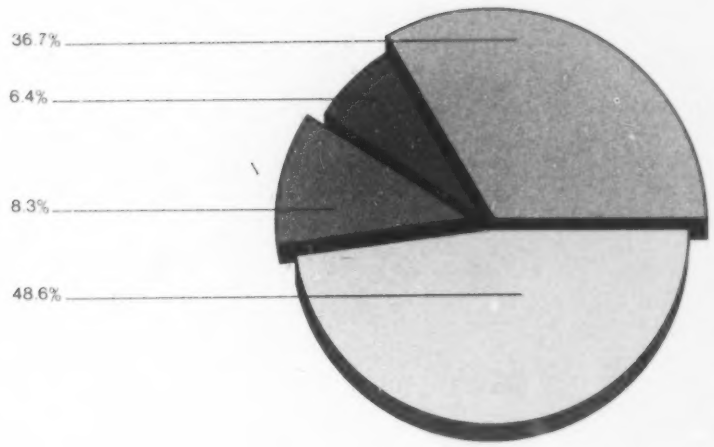
Exhibit 1
The All-Suite Lodging Industry Size & Structure
Distribution of Properties by Number of Suites

Number of Suites	Industry	Report Sample
Under 75	21.2%	7.6%
75-149	36.3%	27.3%
150-299	33.8%	57.5%
300-600	7.8%	7.6%
Over 600	0.9%	0.0%

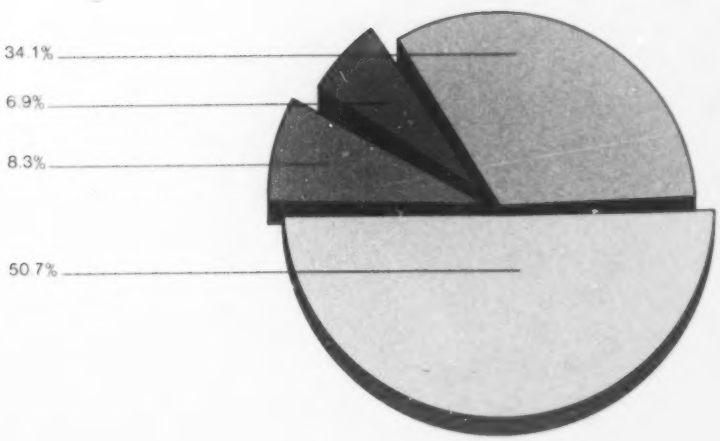
Exhibit 2
Distribution of All-Suite Properties by State

State	Industry	Report Sample
Arizona	5.0%	15.8%
California	15.0%	7.0%
Colorado	3.1%	5.3%
District of Columbia	2.8%	0.0%
Florida	17.1%	7.0%
Georgia	2.8%	8.8%
Hawaii	8.6%	1.8%
Texas	11.5%	15.8%
Other States	34.1%	38.5%

Chart 1
U.S. All-Suite Lodging Industry
Distribution of Properties
and Suites by Region



Number of Properties



Number of Suites

KEY: Region*

- Northeast
- North Central
- South
- West

*Northeast: CT, DE, ME, MA, NH, NJ, NY, PA, RI, VT
South: D.C., AL, AR, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV
North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI
West: AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY

In accordance with Chart 2, concentration on midsized properties (between 75 and 300 rooms) is the trend in the all-suite market: 70 percent compared with approximately 46 percent in the total U.S. hotel market. While resort areas remain the most popular location (35.5 percent) it is now the suburban areas rather than center city locations which are becoming more attractive to house these properties: 24.8 and 21.4 percent, respectively. In comparison, the total hotel market has 16.8 percent of its properties located in resort areas, 29.4 percent in suburban areas and 14.4 percent in center city locations. The largest percentage by location for hotel properties is in highway locations, with 35.4 percent, compared with only 11 percent for the all-suite segment.

Other highlights of the all-suite segment taken from the ILI data base include:

- By type of property, the average rack rate (the hotel's advertised rate) for the all-suite segment is $100, compared with $73 for hotels, $45 for motor hotels and $31 for economy properties.
- Over 50 percent of all-suite hotels have average rack rates of $85 or more.
- Of the chains operating, Embassy Suites and Residence Inns are the largest, with 87 and 89 properties respectively, comprising nearly one-quarter of the all-suite market.
- Of the 50 states and Washington, D.C., seven have not yet penetrated the all-suite market: Delaware, Iowa, Montana, North Dakota, South Dakota, Vermont and Wyoming.
- Nine states have only one or two all-suite properties.
- More than 80 percent of all-suite properties are located in a metropolitan statistical area (MSA).
- Seven of the top 10 MSAs are located within one of the top four states, Florida, Texas, California and Hawaii.

For further information on the characteristics of the all-suite segment or other information in the ILI data base, contact the Research Division of Laventhol & Horwath, 1845 Walnut Street, Philadelphia, Pennsylvania, 19103, (215) 299-1600.

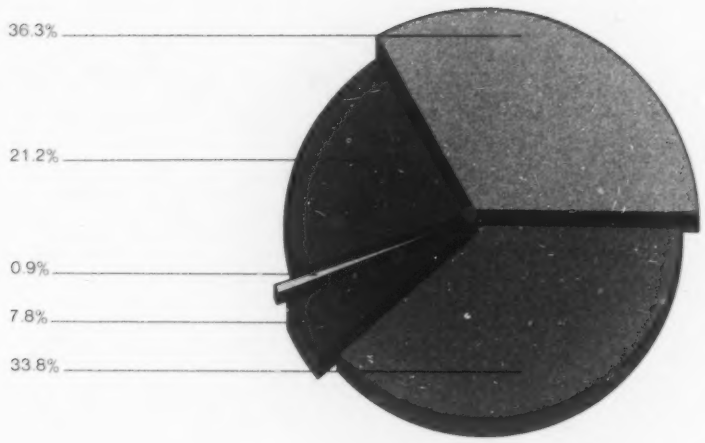
Industry trends: Occupancy and average rate

The average daily rate (ADR) achieved by all-suite hotels responding to Laventhol & Horwath's monthly *All-Suite Trend of Business in the Lodging Industry* has exceeded the national average by at least $9 for the first four months of 1987; this trend is consistent with figures recorded for 1986. In May and June, the gap between the national and all-suite ADRs for both 1986 and 1987 narrowed with the June national

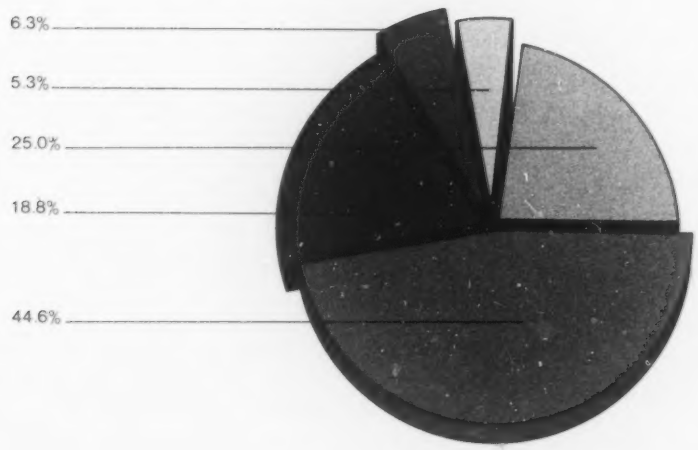
Exhibit 3
Distribution of All-Suite Properties by Metropolitan Statistical Area

Metropolitan Statistical Area	Number of Properties	Percentage of Properties
Atlanta, GA	16	2.1%
Dallas, TX	23	3.1%
Fort Myers/Cape Coral, FL	14	1.9%
Honolulu, HI	14	1.9%
Los Angeles/Long Beach, CA	31	4.1%
Orlando, FL	19	2.5%
Phoenix, AZ	23	3.1%
Riverside/San Bernardino, CA	16	2.1%
Tampa/St. Petersburg, FL	14	1.9%
Washington, D.C./MD/VA	28	3.7%

Chart 2
U.S. All-Suite Lodging Industry
Distribution of Properties
and Suites by Size



Number of Properties



Number of Suites

Key: Sizes

- Under 75
- 75-149
- 150-299
- 300-600
- Over 600

ADR surpassing that of the all-suite segment for the first time in many months. The national average is comprised of all segments of the lodging industry, just as the all-suite segment is comprised of low, middle and upscale properties. One reason why the all-suite rate, for the most part, exceeds the national average may be that customers perceive a higher price/value relationship with an all-suite hotel: You get more room for your money, even if a little extra is paid for the suite.

Included in the price of the suite is a continental or full-menu breakfast and, usually, a complimentary cocktail hour. Since most suite rooms are larger than standard hotel rooms, a wide range of amenities are offered, including a combination living/parlor area in addition to one or two bedrooms, a refrigerator, wet bar and, possibly, a microwave, dishwasher and other household appliances necessary to make the guest feel at home. Guests perceive these amenities as extras, which enhance the perceived all-suite value relative to standard hotels. While lodging away from home, guests are willing to pay a little extra for added comfort and conveniences.

Exhibit 4 offers support for the above perceptions. Even though the all-suite ADR for June fell below the national average, all-suite occupancies surpassed those of the national market as a whole, as well as the hotel and motor hotel segment. This same pattern was seen in 1986. Overall, the continual increase in occupancy rates for all-suites has been consistent since Laventhol & Horwath first started tracking this industry in January 1985.

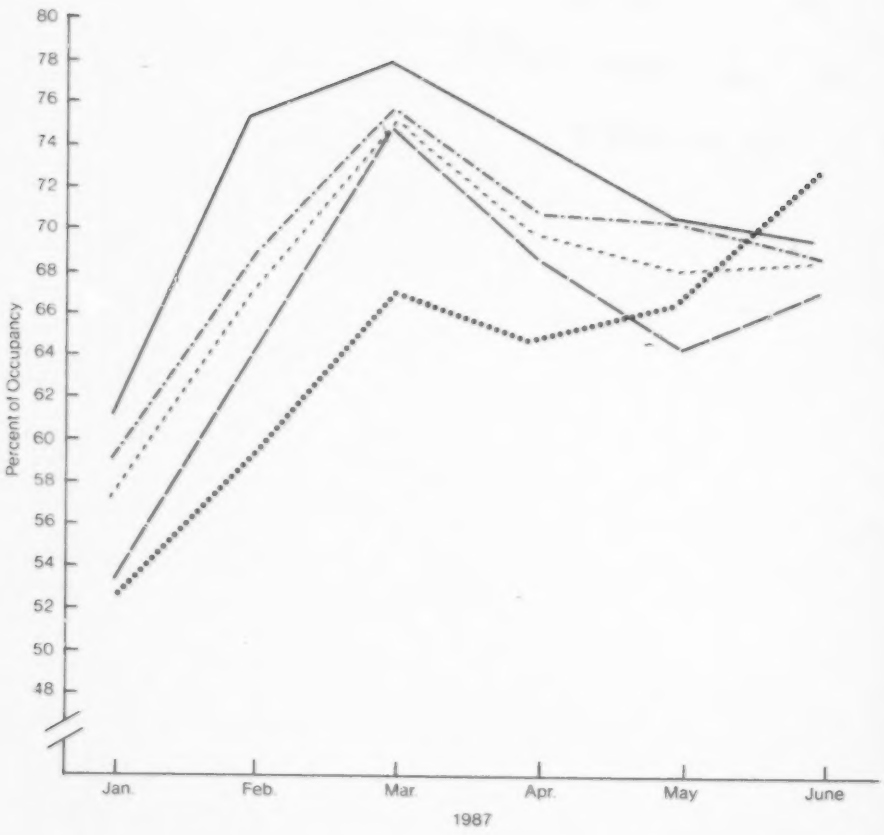
To be placed on the mailing list for the *National Trend of Business — Lodging Industry* or the *All-Suite Trend of Business in the Lodging Industry*, please contact the nearest L&H office or the Research Division in the Executives Offices, Philadelphia.

Exhibit 4
Average Daily Rate By Segment
January-June 1987 Compared with 1986 *

	National		All-Suite		Hotel		Motor Hotel		Economy	
	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
January	$67.64	$64.70	$78.84	$75.73	$79.55	$76.20	$46.68	$45.86	$30.76	$30.04
February	70.08	67.62	84.26	81.48	83.16	80.78	48.29	46.89	31.86	30.86
March	77.65	73.27	87.35	84.89	92.30	87.27	52.98	50.47	33.33	32.19
April	70.93	67.39	83.52	76.86	86.54	82.97	47.83	45.63	33.24	31.20
May	69.48	67.04	70.89	66.96	83.07	80.27	47.98	46.91	35.31	33.25
June	64.98	63.05	61.84	61.88	79.40	76.51	46.95	46.49	32.18	30.90

*As reported in *National Trend of Business in the Lodging Industry* and *All-Suite Trend of Business in the Lodging Industry*

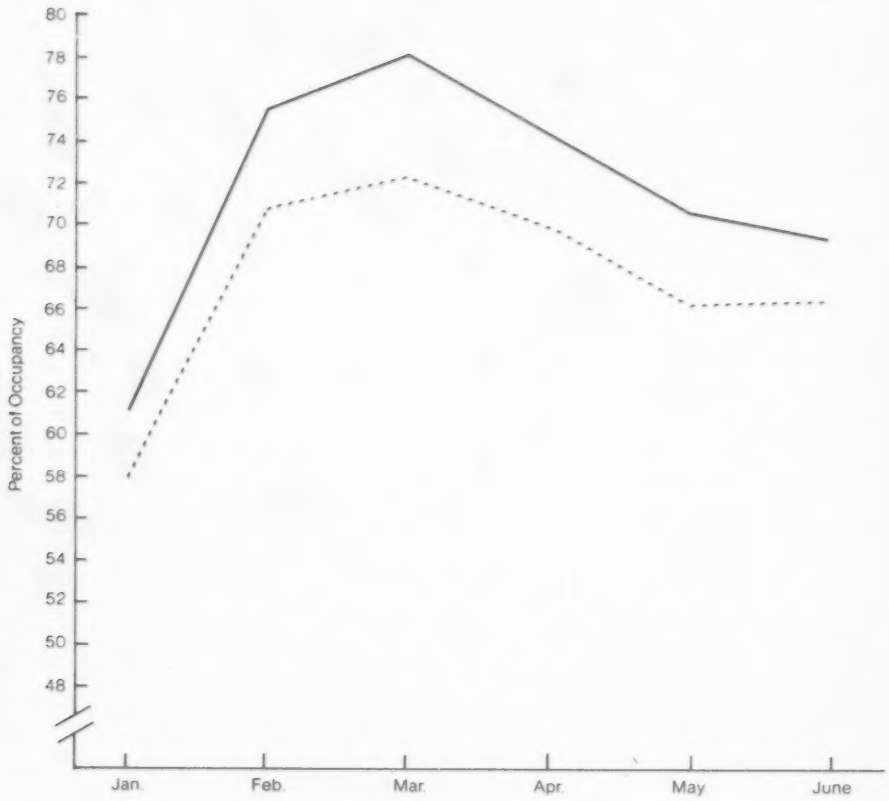
Chart 3
*Percent of Occupancy by Type of Hotel**
January-June 1987



*As reported in *National Trend of Business in the Lodging Industry* and *All-Suite Trend of Business in the Lodging Industry*. Figures are weighted averages.

All-Suite
National
Hotel
Motor Hotel
Economy

Chart 4
*Occupancy Rates**
January-June 1987 Compared with January-June 1986



*As reported in *All-Suite Trend of Business in the Lodging Industry*

TARGETING ECONOMICALLY PRICED ALL-SUITE HOTELS

by Mark Harris
President
AmeriSuites

Positioned at the upper end of the lodging market's economy segment is the economically priced all-suite hotel. This segment seeks to attract value-conscious business travelers, corporate hospitality purchasers, family travelers and senior citizens. These hotels offer customers at-home conveniences, more space and limited services at competitive prices.

To maximize its position as a better lodging alternative, economically priced all-suite hotels must offer rates competitive with those charged by principal mid-priced competitors. Because the majority of lodging customers perceive all-suite hotels as more costly than conventional hotels, it is critical that the price of this form of lodging be a prominent part of the corporation's advertising.

Uniform prices and standardized room are generally offered by this lodging segment, providing customers with accommodations that are consistent in quality and reasonably priced regardless of location. This is especially important as brand loyalty customers (those staying at one or more locations several times a year) comprise a substantial portion of the market.

Offering these accommodations at economy prices can be achieved by constructing hotels with standardized room and building designs, providing standardized services and eliminating amenities that are not cost effective.

Geographic and seasonal factors influence room rates. Many economically priced all-suite hotels, depending upon location, offer weekend family plan rates. Commercial, group, senior citizen and extended-stay (over 21 days) rates are usually available, too.

Hotels in this segment can control costs by not reproducing corporate office services, e.g., accounting, purchasing, marketing, personnel administration and toll-free reservations, at each property. Standardized operations, centralized management and support services also help keep the room rates down.

Marketing

An adult business traveler, age 25 to 54, who travels frequently and/or has extended-stay requirements, describes the prime prospect of an economically priced all-suite hotel. These travelers are both price and value conscious.

The secondary prospect for this segment of the lodging industry is the recreational or personal traveler, defined as an adult who travels to markets served by the economically priced all-suite hotel for vacation or other personal reasons.

Marketing and sales programs should concentrate on maintaining the current customer base while aggressively pursuing new business; this should include programs targeting prospects residing in cities outside the markets in which these economically priced all-suite hotels are located. Primary marketing and sales programs should include:

- telemarketing procedures for use by the sales force and operations management at the local properties as well as by corporate support staff,
- a targeted pricing strategy,
- enhancement of corporate and local property direct mail campaigns,
- aggressive trade show schedules to reach business and personal travel market influencers,
- development of frequent traveler programs to strengthen repeat business, and
- increased market research to assess current customer satisfaction and evolving customer demand.

The marketing program should also include development of effective sales brochures and supporting material, competitive travel agent sales and commission programs, reservation systems that collect vital sales information, aggressive property specific sales efforts and advertising in in-flight publications.

The development and implementation of comprehensive marketing and sales activities in the local markets to establish and maintain foundation business for each property is crucial. Direct sales on the local and corporate levels as the primary means for business building should be employed, as should targeted sales and marketing programs at the corporate level to augment local property programs.

The rationale behind this marketing strategy is, primarily, that the business traveler market is the cornerstone of this segment, both short and long term, given the target's five-day a week concentration (Sunday through Thursday nights) and basic resilience to seasonality. Additionally, direct sales is judged to be the most cost-efficient, controllable and competitive vehicle for immediate business building.

A locally tailored marketing strategy is necessary in order to successfully infiltrate these hotels due to their primary locations in closely held markets. Such marketing programs are vital in cultivating accounts and, in the long term, insuring continuity of business. Strong grass root accounts at the local level augment corporate wide business by generating direct, qualified leads and/or room sales for other properties. And, complementing local market activity, well-targeted corporate programs are designed to build awareness, trial visits and ultimately, room sales in all properties.

FOOD AND BEVERAGE SERVICE

by Richard M. Kelleher
Executive Vice President
Guest Quarters Hotels

Popular mythology tells us that quality food and beverage service and profitable all-suite hotels are mutually exclusive. Suite hotels needn't provide such frills as first-class restaurants, banquet service and extensive suite service, because the value of the suite alone would attract customers. Food and beverage facilities were cost centers and not essential for obtaining the profits that people in the traditional lodging segments envied.

Furthermore, a rumor developed that building quality, full-service food and beverage facilities in new all-suite hotels defeated the purpose of this segment, increased construction and operations costs, and turned these properties into traditional hotels.

At Guest Quarters, we don't believe these myths. Experience has proved us right in our advocacy of full-service food and beverage facilities. To compete at the top of the first-class hotel market, it is necessary to provide first-class restaurants and banquet facilities to clients who expect the best from a premier hotel. All-suite hotel restaurants can be operated as profit centers and should be marketed aggressively to the local community. It is no secret that a well-patronized restaurant enhances the reputation of the hotel. Since most of our properties are corporate-oriented hotels, local influences account for a large percentage of our occupancy. Therefore, quality restaurants make good business sense.

Offering a full range of food and beverage facilities does not change the entire rationale for all-suite hotels. At Guest Quarters, our hotels contain one quality restaurant, one lounge, small but flexible banquet facilities and complete suite service. You won't find three restaurants, theme lounges, discos or convention-size meeting rooms. The basic integrity of the all-suite hotel is maintained, but guests still are presented with an array of options to make their stay more enjoyable.

Restaurants should not be the cookie-cutter outlets or leased-out theme operations. The design and management of each dining room should take into account local market conditions. For example, in Baltimore, Guest Quarters features fresh local seafood; in Austin, the 15th Street Cafe offers Tapas, Tex-Mex specialties and gulf seafood. By having the all-suite hotel operate the restaurant, you retain complete control of food quality, service standards and menu changes. Culinary innovations or customer preferences can be responded to in a few days.

Clearly, all-suite hotels have evolved from their limited-service beginnings. Most national all-suite chains offer some form of food service and banquet facilities. As the all-suite hotel field becomes more competitive, chains will need to discover ways of distinguishing their product. Planning food and beverage capabilities to meet the needs of guests can provide the advantage.

> ***"The availability of inns became a necessity in the early days of this country, since people continually moved around to new places."***

FOCUSING ON MID-PRICED ALL-SUITE HOTELS

by John M. Jorgenson
Quality International
Vice President of Development

People with the gold who make the rules are saying our industry is overbuilt. They advise us to buy existing hotels and wait for demand to equal supply before we start building again. If we applied this theory to the automobile industry, we would still be waiting for someone to buy the last 1977 car before moving on to the next model year. I can't believe lenders are less creative than engineers in Detroit who try to anticipate people's wants and needs.

Over the last decade the hotel industry has realized that travelers can be segmented into different markets, depending upon the purposes of their trips. For example, the chairman of the board might combine a business and pleasure trip—bringing his family along and stopping at a budget hotel along the way, an upscale lodging to deliver a speech, and a mid-priced hotel overlooking the ocean to relax for the last few days of the journey.

It is true that the majority of markets with first-class, full-service hotels in urban locations are overbuilt. But just because 97 percent of the transient lodging units in the U.S. are "a bed in a box," does this satisfy the desires of the traveling public? Research indicates that at least half of hotel patrons in the U.S. would prefer the spacious accommodations of a suite if the price were the same as the hotel room they currently use. To offer a suite at the same room rate, on the same piece of property in the same market, some public facilities must be sacrificed so more development dollars can be devoted to guest room construction. The obvious spaces to eliminate are large meeting rooms, which stand empty much of the time, and most of the food and beverage space, which typically ruins the monthly profit and loss statement. Therefore, we now have a hotel that appeals to 50 percent of hotel patrons; however, in 1986, all-suite hotels totaled a mere 3 percent of the supply. This disparity between demand and supply in the all-suite segment results in substantially higher occupancies and room rates than in other hotels, even in "overbuilt markets."

The vast majority of this country's room supply and market demand does not fall in the $90 plus per night price range. The mid-priced market is by far the largest segment, and this will not change through the end of the century. In fact, 88 percent of the supply has an average room rate under $85 per night. This comprises the largest segment in the U.S. hotel market. However, 74 percent of all-suite hotels charge room rates over $80 per night. Most all-suite hotels are clearly competing in the segment considered overbuilt, and just 26 percent of the all-suite supply is oriented to the huge middle market.

"Trans World Airlines purchased Hilton International in 1967, becoming the first of 40 or more airlines to enter the lodging business."

Quality International's three-tiered all-suite concept, introduced in the beginning of 1986, places a price/value, all-suite offering in the budget, mid-priced and upscale segments of the market. Comfort Suites are targeted at a $40 to $55 per night room rate market. These properties have typically been developed, including all costs, e.g., land, financing, developer fees, from approximately $40,000 per suite. The Comfort Suites prototype, an efficient 306-square-foot suite accented by a nine-foot ceiling, provides a sense of spaciousness by comparison to the standard hotel room with eight-foot ceilings. This nine foot-ceiling adds less than 4 percent to the overall construction cost, but provides the ability to reduce the floor square footage some 20 percent, while not altering the guest's perception of unit size. A half wall divides the suite, which creates the perception of two distinct areas. The 60-square-foot bath is the largest in any budget hotel in the market today. A complete amenities package of an in-room mini-bar, remote control television and clock radio are features the typical budget traveler would not expect to find in a $40-per-night room.

We have aggressively pursued the mid-priced hotel market, $55 to $70 per night, with the Quality Suites Hotel concept, which offers a fully divided two-room, 377-square foot suite with an amenity package not found in most five-star resorts: microwave oven, VCR, stereo with tape deck, two remote control televisions, two telephones and a fully stocked honor bar. The Quality Suites prototypes have been developed for $50,000 plus per suite turnkey development cost. This concept, which competes with the first-class hotel market, has a distinct price/value advantage over other lodging supply within this segment.

In January 1987, Quality International formed a joint venture with Denver-based Associated Inns & Restaurants Company of America (AIRCOA), which manages Clarion Hotels. Together the companies contributed a total of 36 hotels to form a critical mass of four-star properties. Through this joint venture, Quality International is pursuing development and conversion candidates in the all-suite segment, which would offer the same level of quality and service as Clarion Hotels and Resorts. Clarion Suites are oriented toward markets that exceed $75 per night and provide a high level of services and amenities within the upscale hotel market segment.

The key to this three-tier all-suite strategy is to offer options appealing to the entire middle market by the use of segmentation, fitting the optimum all-suite concept to the market. After all, you cannot change the market to fit your concept.

INNOVATIONS IN THE ALL-SUITE CONCEPT

by John Norlander
President
Radisson Hotel Corporation

The all-suite segment is one of the hottest concepts in today's hospitality industry. As it continues to expand and mature during the next decade, new and innovative applications will be developed.

From its origin as primarily an urban phenomenon, all-suite hotels have emerged and prospered in resort and second-tier locations, confirming its position as one of the hotel industry's major product offerings of the 1980s. Traditional hotel facilities have begun incorporating all-suite towers, sections and additions into their structures to create mega-hospitality complexes.

At Radisson Hotel Corporation, we have embraced and incorporated the all-suite concept into the fabric of our company and its operations. All-suite hotels are one of the Radisson segments now offered for management contracts or franchising. In early 1987, we had 11 all-suite properties in operation, five under construction and expansion plans for an additional 40 properties within the next five years.

In keeping with Radisson's marketing and operational focus of being a "collection" rather than a chain, our all-suite hotels are individualistic and designed to fit the market where they are located. We do not have a special name, division or required architectural design for the all-suite product but have instead integrated it completely into the structure of the company. Radisson suites range from ocean-front, high-rise resorts in Myrtle Beach, South Carolina, Marco Island, Florida and Melbourne, Florida to urban locations such as Tucson, Arizona and New Orleans, Louisiana plus a series of Skidmore Owens designed all-suite properties in the suburban Chicago market.

Our company's intense interest in this segment of the lodging industry has led us to develop several variations on the original all-suite product. These concepts, which may represent future innovations for the industry, include the marriage of a traditional hotel with an all-suite addition or section to provide guests with a choice of room accommodations, all within the same structure.

The Radisson Plaza Hotel Indianapolis displays this type of innovation. A twelve-story, 160-suite addition had been joined to the existing 394-room Radisson Plaza Hotel. Although located in a separate tower, the addition is connected on several levels for easy access to all of the traditional hotel amenities. Guests checking into this hospitality complex are offered a wide choice of accommodations, including the luxury, privacy and spacious comfort of suite rooms.

The all-suite concept has such broad appeal with today's experienced travelers that the industry must be prepared to renovate existing properties and develop new all-suite products. As a market-driven industry, we must insure success by focusing on the needs of our increasingly sophisticated customers. The intense marketing competition occurring in the lodging industry may be one of the major reasons for the success of the all-suite hotel. Extra amenities and complimentary services such as breakfasts and cocktail hours give all-suite hotels a distinctive marketing edge. Our customers are seeking an upscale experience and the perceived value of these amenities and services can sway the buying decision toward all-suite hotels.

These trends will continue as Americans travel with increasing sophistication and sensitivity to price/value relationships. Our research confirms, and our experience tells us, all-suite hotels will continue to be part of the hospitality industry success formula into the 1990s and beyond.

SELLING ITSELF: THE ALL-SUITE MYTH

by David B. Storm
Chief Operating Officer
Raintree Inns of America

Fortis fortuna audicat. Fortune favors the brave. This Latin phrase summarizes the state of the all-suite hotel within the lodging industry.

The emergence of product segmentation, advanced technology and increased consumer awareness and competition has shifted the focus of the lodging industry from purely operational to an increased emphasis on marketing and has also brought to the forefront the opportunity and guest preference for the all-suite hotel.

Although the vast physical difference of the all-suite hotel seems to "sell itself," beware, for competition exists. The foundation of your property's success lies in a strong direct sales effort and a carefully planned market strategy, which channels your effort at targeted market segments and does not attempt to be all things to all people.

To examine the nuances of selling an all-suite product, we must first attempt to define a suite. Many properties that promote themselves as having suites or mini-suites offer nothing more than rooms a couple of feet larger than conventional hotel rooms.

A complete kitchen with utensils and appliances, a separate dining area, sitting area and a bedroom are usually found in the extended-stay or apartment-style suite. The traditional suite offers a limited kitchen area, usually with a microwave oven and breakfast bar, a separate bedroom and a sitting area. The mini-suite usually includes a wet bar with a small refrigerator, all in the same room.

When selling your all-suite facility, it is important, as it is with the conventional hotel, to know how your product differs from that of your competition, physically and in services offered. You should not take for granted that your prospect knows what your facility offers. In some cases, you may need to address prospects' preconceived opinions of what a suite is, and dispel the belief that all-suite hotels are not within their budgets. We have done such a good job of product segmentation that we have also created consumer confusion. Thus it is paramount to your selling effort to define your product accurately.

The services and amenities that your all-suite hotel offers should receive considerable input from the marketing department, since these amenities will be key selling points to your primary market segments. What amenities are important to the corporate guest? Research indicates that a large, well-lit work area, with easy access to a phone, is of utmost importance to corporate travelers, who will use their suites to conduct business. For leisure travelers, full-length terry towels, large bars of soap and two televisions—one in the living area and one in the bedroom—are important. Information on the surrounding area such as real estate, doctors, and hotel services including day care, on-site laundry facilities, in-suite kitchens, and on-premise recreation facilities are top priority for the relocating employee. In addition, guests who may want to bring their families along at no cost to their companies or themselves consider a favorable rate for multiple occupancy important.

Selling an all-suite hotel differs from selling a conventional hotel. For the all-suite hotel salesperson, a greater need exists to arrange and emphasize property tours. This strategy of "beefing up" the local sales team, although sometimes viewed as overstaffing, has produced profitable results. There seems to be no better way to convey the superior price/value to the potential guest than to have them see and feel the physical difference your all-suite property offers.

It would be impossible for everyone to visit your facilities; therefore, the all-suite salesperson must place increased importance on their sales presentation kit. The salesperson must be creative as well as competitive. In one instance, to differentiate the all-suite facility, a salesperson actually set up a place service complete with china, glass and a place mat in the prospect's office. Although not a textbook approach, it proved successful. Another impressive tool is the portable video cassette player. A video can be produced and edited with the information you wish the prospect to see, allowing you to create a visual image for your property.

The lesson in this message reveals that when you have a unique product, you need to present it in a unique manner. You can achieve this by emphasizing personal calls and property tours.

The uniqueness of your all-suite hotel may also dictate the person whom you call on at a company. All-suite properties enjoy a longer "average length of stay" than do conventional hotels and, consequently, the salesperson should not only talk to a company's travel department, but also (and more likely), the relocation and training departments.

A few targets for extended-stay business include accounting firms conducting field audits, insurance companies performing adjustments and state accreditation teams visiting high schools or colleges.

Trade shows, which many all-suite salespeople attend, include the American Society of Training and Development, the Training 87 Conference and the Employee Relocation Conference.

You may be asking yourself, "Are there any negatives to selling the all-suite hotel?" While the all-suite hotel is a fine product, there will be a few objections. I offer these examples and possible solutions in the accompanying chart.

The all-suite salesperson faces challenges and opportunities as all-suite properties begin to compete more with other all-suite properties. But as stated by Hugh Prather, "There is a time to let things happen and a time to make things happen."

The successful all-suite salesperson must recognize the difference.

OBJECTION	SOLUTION
No food or beverage service at some all-suite properties	■ Offer a continental breakfast. ■ Establish a discount or referral relationship with a local restaurant.
No meeting facilities at some all-suite properties	■ Use the continental breakfast area. ■ Consider the conversion or temporary use of one of your suites. ■ If the business warrants, investigate the possibility of renting meeting space from a nearby office building.
High price perception	■ Deduct at the retail price, the gratis food and beverage included in the price from your rate. The prospect may be surprised by your value. ■ Emphasize that guests' comfort will add to the productivity of their stay. ■ Conduct property tours and let the decision maker "feel" the difference.

CATERING TO THE EXTENDED-STAY TRAVELER

by B. Anthony Isaac
Executive Vice President-Operations
The Residence Inn Company

The hotel industry continues to offer a host of all-suite lodging alternatives, which because of their perceived value, have been embraced by consumers. Today's sophisticated travelers have a greater supply of new rooms available to them, and have the ability to select accommodations that are tailored to their needs. Product diversification has increased, and large chains as well as independents are entering the all-suite arena. We are seeing a proliferation of all-suite products targeted at a variety of travelers.

Opportunities involve placing hotels in areas where the various niches exist, and adequately serving them to insure continued patronage. One market niche is the extended-stay traveler—those individuals who spend five or more consecutive nights in a hotel. This segment of the lodging industry comprises over 70 percent of Residence Inn's room night demand.

Extended-stay travelers have different needs than traditional travelers. People absent from home for lengthy periods of time miss that environment, so products and services should reflect a homelike atmosphere.

Residence Inn's hotels have been designed to meet this criteria. Our hotels consist of a neighborhood of two-story, residential-style buildings with suites ranging from 550 to 820 square feet, private entrances and curbside parking and, in most suites, a wood-burning fireplace. A fully-equipped kitchen contains standard appliances, china serving pieces, and even a popcorn popper, satisfying the needs of the extended-stay traveler who prefers cooking in the suite rather than using room service or dining in a restaurant. A free grocery service is also provided.

The length of the extended-stay traveler's visit enables hotel staffs to get acquainted with guests on a first-name basis, which furthers the homelike atmosphere. Providing a complimentary breakfast and hospitality hour in a relaxed, informal environment offers further opportunities for guests and staff members to get to know each other, as do weekly poolside barbecues or outings to local recreational events.

As the length of stay increases, the guests' needs for mere comfort, found in virtually any type of hotel, changes to needs for a homelike setting.

Internal research indicates that the average length of stay for Residents Inn's extended-stay clientele is more than 18 nights. We asked those guests to share with us their needs when choosing a hotel. The top three responses were:

- a homelike atmosphere
- a full kitchen and spacious rooms
- previous experience with the hotel

Tangible assets are easily imitated. In the lodging industry, customers faced with many options will choose the hotel where their particular needs are met. At Residence Inn hotels, we cater to the needs of extended-stay travelers by providing a homelike atmosphere and paying strict attention to detail. Our commitment to excellence is reflected in the format chosen for our guest comment cards. When rating our facilities, staff and service, the guest is given only two options: perfect or not perfect.

"During the Middle Ages, lodging facilities in Asia, . particularly in China, surpassed those in Europe."

Established Players in the All-Suite Lodging Industry

Hotel Company	Average Rate	Average Length of Stay	Average Number of Suites	Number of Open Hotels	Number of Available Suites	Number of Hotels Under Construction	Number of Suites Under Construction
Amberley Suites	$49.12	2.7 Days	160	4	620	1	240
AmeriSuites	43.50	3 Days	126	5	625	0	0
Aston Hotels & Resorts	120.00	5.5 Days	150	17	2,550	1	1
Doubletree Suites	85.00	2 Days	221	1	221	4	0
Embassy Suites	N/A	2.5 Days	230	75	18,085	16	4,271
Guest Quarters	103.00	2 Days	200	9	1,718	5	1,135
Hawthorn Suites	70.00	7 Days	100	6	600	2	253
InnSuites International	55.00	3.5 Days	170	7	950	0	2
L'Ermitage	150.00	3.1 Days	155	5	779	2	201
Lexington Hotel Suites	40-50.00	15 Days	150	18	2,784	2	260
Luxeford Suites	68.00	34 Days	210	2	421	0	0
Maxims	120.00	2.8 Days	194	1	194	N/A	1
Park Suite Hotels	68-70.00	1.3 Days	243	7	1,669	N/A	N/A
Pickett Suites	81.33	1.7 Days	175	5	1,100	6	850
Pointe Resorts	N/A	3.5 Days	600	3	1,780	0	0
Quality International	55-60.00	3.5 Days	180	10	1,800	6	1,080
Radisson Hotel Corp.	71.00	3.0 Days	225	11	2,469	5	1,029
Residence Inn Company	N/A	N/A	96	91	10,835	15	1,758

N/A—Not Applicable or Available
NOTE: This list is not exhaustive. It does not include independent properties and is based on information gathered from interviews with the chains, September 1987. This information was accepted without verification.

Long-Term Development Plans	Current Development Regions	Future Development Regions	Franchises Available	Management Contracts Available	Joint Venture Partnership
3 Hotels	East	West	No	No	Yes
3 Hotels by 1992	Sunbelt	N/A	No	Yes	Possible
N/A	Hawaii, California	West	No	Yes	Yes
N/A	East Coast	N/A	Yes	Yes	Yes
200 Hotels by 1990	Top 50 MSA's	N/A	Yes	Yes	Yes
Nationwide 100 Hotels	Mid-Atlantic D.C., TX, Southeast, Michigan	New England, Chicago, Miami, NY, LA, & San Francisco	No	Yes	Yes
150-200 Properties	Nationwide	N/A	Yes	Yes	Yes
Southwest & Sunbelt Area/ Nationwide & International	Southwest & Sunbelt Area/ Nationwide & International	Southwest & Sunbelt Area/ Nationwide & International	Yes	Yes	Yes
N/A	West LA, Beverly Hills	N/A	No	Yes	Yes
3 in 5 years + Conversion	Arizona & Tennessee	Nationwide	No	Yes	Yes
To Open 2 Suite Properties in the Next 2-3 Years	Sunbelt	N/A	Yes	Yes	Yes
Open 9 Hotels in 10 Years	Major Cities Nationwide	Major Cities Nationwide	No	No	Yes
5 Hotels in 10 Years	Nationwide	Nationwide	Yes	Yes	Yes
40 Hotels by 1990	N/A	N/A	No	Yes	Yes
N/A	San Diego	Southwest	No	No	No
100 Quality, 80 Comfort	CA, VA, FL	Nationwide	Yes	Yes	No
40 Hotels by 1992	N/A	Nationwide	Yes	Yes	No
300 Open by 1992	Nationwide	Nationwide	Yes	Yes	Yes

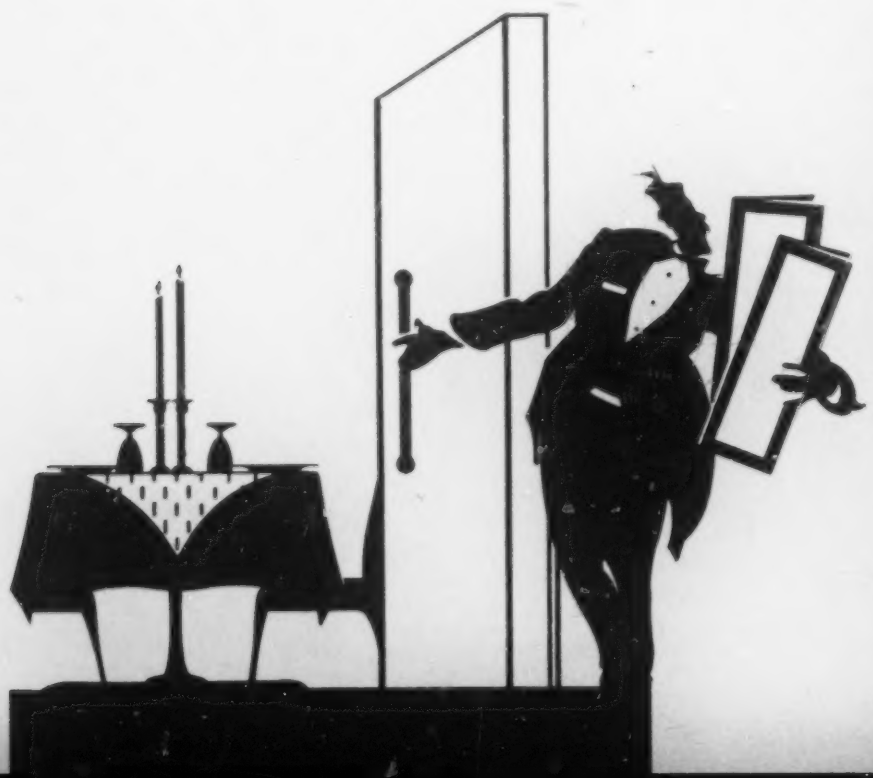
New Entrants in the All-Suite Lodging Industry

Hotel Company	Average Rate	Average Length of Stay	Average Number of Suites	Number of Open Hotels	Number of Available Suites	Number of Hotels Under Construction	Number of Suites Under Construction
Anchorage Corporation	$55-70.00	1.8 Days	100-150	0	0	1	125
Continental Companies	70.00	2 Days	217	1	217	1	180
Governor's Inns	65.00	1-3 Days	50	9	449	1	70
French Quarter Inn	88.00	2.5 Days	120	2	263	0	36
Habitat Inns	59.00	2.5 Days	96	1	96	0	0
Hilton Suites, Inc.	75-100.00	2.5 Days	200	0	0	1	200
Jana Corporation	85.00	3 Days	100	4	504	N/A	N/A
Marriott Suites	N/A	N/A	N/A	1	224	3	782
Plaza Suites	75.00	4.5 Days	84	3	240	0	0
Quality Inns							
Quality Suites	65.00	2.8 Days	170	5	1,800	N/A	1,200
Comfort Suites	48.00	2.1 Days	130	5	1,800	N/A	1,200
Raintree Inns	55.00	4.6 Days	75	2	149	1	100
Woodfin Suites	72.00	7 Days	150	11	2,000+	N/A	2

N/A – Not Applicable or Available

NOTE: This list is not exhaustive. It does not include independent properties and is based on information gathered from interviews with the chains, September 1987. This information was accepted without verification.

Long-Term Development Plans	Current Development Regions	Future Development Regions	Franchises Available	Management Contracts Available	Joint Venture Partnership
80 Hotels in 5 Years	Northeast	Northeast	No	No	No
N/A	Midwest	None	Yes	Yes	Yes
N/A	Southeast	Southeast	No	No	Yes
To Open 3-5 Hotels Per Year	Southeast/Central	Southeast/Central	No	Yes	Yes
None	N/A	N/A	No	No	N/A
10 Hotels by 1990	AZ, CA, D.C., IL, TN	Top 25 MSAs	No	Yes	Yes
Gateway Cities	Chicago	Los Angeles	N/A	Yes	Yes
35 Units by 1991-1992	None	None	No	Yes	No
None	None	None	No	No	No
Nationwide	Nationwide	Nationwide	Yes	Yes	Yes
Nationwide	Nationwide	Nationwide	Yes	Yes	Yes
10 Hotels by 1988	Kansas/Nebraska	AZ, TX, & CA	Yes	Yes	No
No Specific Plans	Nationwide	Nationwide	Yes	Yes	Yes



THE U.S. ALL-SUITE LODGING INDUSTRY

by Elizabeth Ann Rifkin
Research Division
Philadelphia, Pennsylvania

The all-suite segment of the U.S. lodging industry continues to grow at a furious pace. New chains are appearing, while older, established chains are adding all-suite properties to their existing supply of hotels. To provide information on this ever-changing hotel segment, Laventhol & Horwath is pleased to present the third edition of the *All-Suite Lodging Industry*. It is designed to supply operators with financial and operating statistics on all-suite hotels.

The all-suite concept, which originally was defined as a living/parlor area with one or two bedrooms, now includes a variety of sleeping rooms. Some are efficiencies with a small kitchen area off to one side, while other suites are comprised of a living/parlor area, full kitchen, wet bar, and an array of amenities to make a guest's stay more comfortable. Bathroom amenities may range from soap, shampoo and conditioner, to deodorant, toothbrush, toothpaste, mouthwash and a razor. Still other properties might offer a hair dryer, heat lamps and whirlpool baths. Microwave ovens, coffee makers and a phone in the bathroom are popular items offered by some all-suite hotels.

The main reason for providing these features is to make a guest feel "at home." Once this environment has been created, a guest is more likely to patronize the hotel when returning to the area.

Bases of statistics

The data presented in this report have been computed on the most common bases used to analyze results of lodging establishments: ratios to total sales, ratios to suite or room sales and annual amounts per suite. Readers not familiar with L&H's lodging studies are advised to read "Bases and Significance of Lodging Statistics" on page 56 of this report for an explanation of relevant terms.

The information in this report provides insight into 1986 operating characteristics of the all-suite segment of the lodging industry and is useful for analyzing trends in revenue and expenses.

The majority of the figures in this study are medians and do not necessarily add to the totals shown. Each line item has been analyzed separately, and the medians are based on the information submitted for that line only, since all establishments did not report for each line item. For a more detailed explanation of medians and means, please refer to Appendix II, "Understanding Medians and Means" on page 53.

L&H does not attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should be used only as a guide when analyzing the operating results of a specific property.

Laventhol & Horwath wishes to express its thanks to the lodging chains and properties throughout

the U.S. that participated in this report. Without the continued support of concerned operators, this report and the valuable information it provides would not be possible.

Data collection

Last year's report on all-suite lodging operations was the first that included articles with authors other than L&H professionals. We believe that this proved to be a successful endeavor, so once again, we invited all major all-suite chains and most of the smaller ones to write articles. Every article that we received was included. The opinions expressed are those of the authors and do not necessarily reflect the views of Laventhol & Horwath.

The financial data was collected by a variety of methods. Some operators responded to our *U.S. Lodging Industry 1987* survey, and we included their data in this study. Others were contacted directly for the sole use in the report. We also asked most of the all-suite chains to fill our questionnaires based on a representative sample. As a result, we received responses from a cross section of all-suite operations throughout the United States.

General overview

All-suite properties that responded to our survey generated over $220 million in total revenue, of which $166.5 million resulted from suite sales. Total sales per property range from $383,000 to $26 million, with the median revenue figure reported at approximately $3.1 million. The hotels in our sample this year are located in 22 states and Washington D.C.

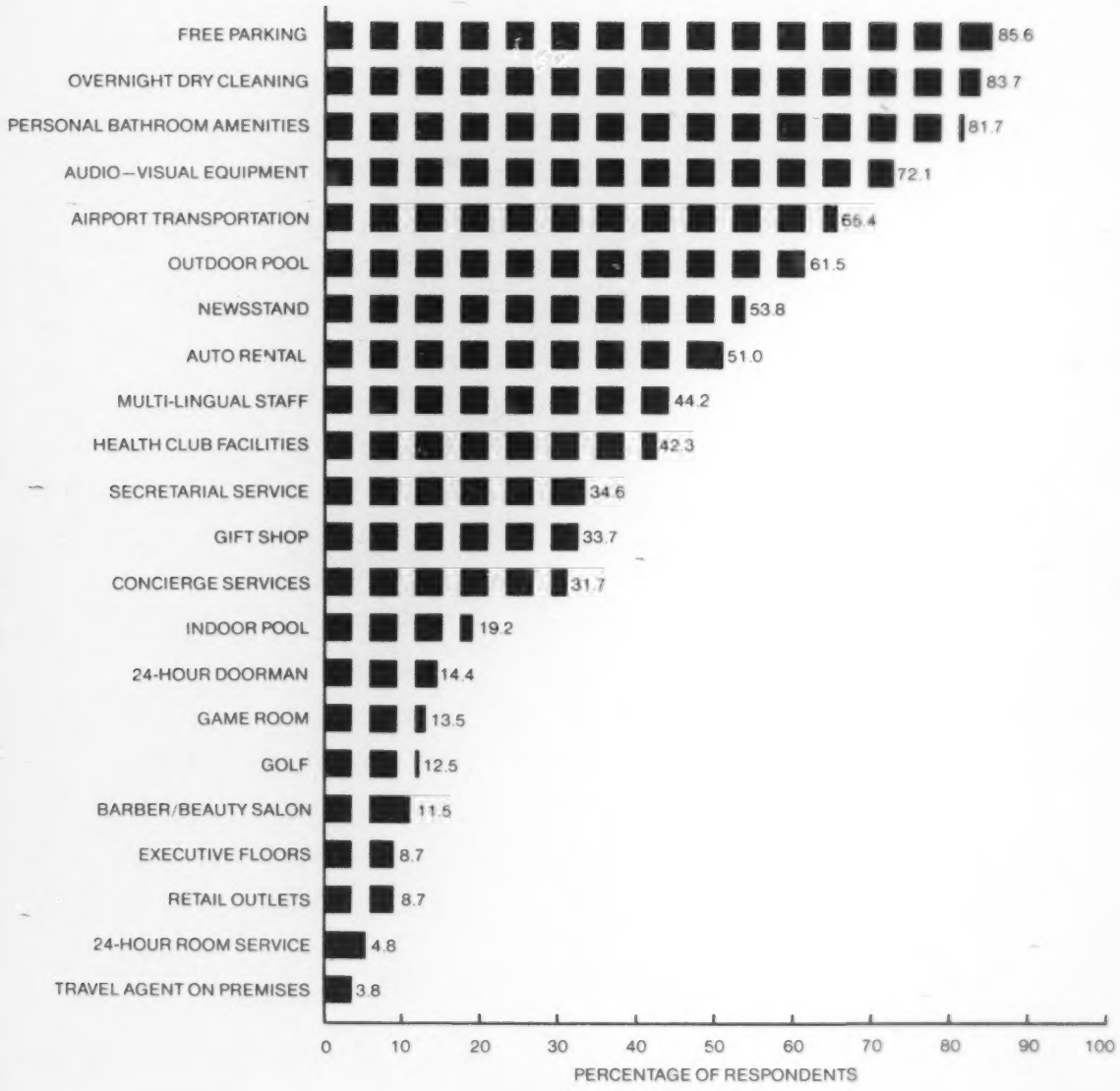
The median occupancy rate for these properties was 70.3 percent, with a median average suite rate of $63.33. For 1985, the occupancy rate was 69.3 percent. The increase in occupancy could be attributed to low gasoline prices, and a decline in the value of the dollar, which increased the amount of foreign arrivals by approximately 3 percent over the 1985 figure (Source: U.S. Travel and Tourism Administration). This year's sample reported 11.6 percent of guests were foreigners, compared with 9.6 percent the previous year. A third reason for the increase could be the reduction of U.S. travelers to overseas destinations due to fear of terrorist attacks.

The average daily rate was considerably lower than the 1985 figure of $72.44. One reason for the decline could be discounting of room rates to capture clients that would otherwise stay at a full-service hotel. This decrease in average daily rates should not continue for long. Several demographic trends should help the all-suite segment as well as the other lodging segments.

One such trend is that "baby boomers," those born between 1946 and 1964, will comprise approximately 44 percent of the population by 1990, an increase from an estimated 40 percent today. This group will have a relatively high disposable income that should encourage leisure travel. The "over 65" generation will increase from approximately 11.3 to 12.5 percent in 1990. They, too, have high disposable incomes, and generally better health, which will foster more traveling. Another demographic trend to affect the lodging market is the increase in business women. They will have a strong impact on the all-suite industry: Research shows that if given the choice, women prefer a suite to a regular room. Also, with more women working outside the home, household income has increased, which encourages pleasure travel.

Our all-suite sample reported that 44 percent of their customers had stayed at their establishment before, compared with only 29.9 percent reported in *U.S. Lodging Industry 1987*.

Chart 5
Guest Services



Although attracting new customers is important, building a base of loyal clientele is also crucial.

Insuring quality service to all guests will help build this base. Friendly and courteous service is as important as amenities. When a problem occurs, the guest should be contacted by phone or letter after departure to ascertain that the problem was rectified. By doing so, the chances of having your guest return increases. Repeat business is important to any lodging establishment, especially today, since many markets are considered "overbuilt." A secondary factor in repeat business is the "good will" a satisfied customer spreads to his co-workers, relatives and friends. Poor service, therefore, can have more ramifications than just losing one customer.

Highlights

When reviewing these exhibits, remember that the amounts per available suite figures are the dollar values associated with any suite in the hotel for the year. For example, in our sample, suites revenue as an amount per suite was $15,751. On the average, each suite generated $15,751 in suite sales for the year. Therefore, if a hotel had 100 suites, their suites revenue for the year would be $15,751,000 (100 suites times $15,751).

Overall, all-suite hotels in our survey displayed higher occupancy, average daily rate and income before fixed charges than those properties that responded to the *U.S Lodging Industry 1987* survey. The median occupancy rate for these two groups differed by over 5 percent, while the median average daily rate that was reported showed all-suites with an advantage of over $7. They also had an income before fixed charges that was 38 percent, which is substantially higher than the median for the U.S. sample of 22.7 percent. A complete comparison of the two groups can be found in Exhibit 18.

All-suite hotels reported that for every 100 guests, 82 had advanced reservations. This figure is important to hotel operators for several reasons. There is less guess work in scheduling with a high percentage of advanced reservations; a hotel loses money when it is overstaffed, and customers don't want a lack of service due to understaffing.

All-suite properties in the Western region generally realized the highest occupancies in the U.S. One reason for this may be a greater awareness of the all-suite hotel in this region due to the higher concentration of all-suites. In the Western region, all-suite hotels as a group also reported the best income before fixed charges, both as a ratio to total sales and as an amount per available room.

All-suite properties with higher occupancies—70 percent and over—in 1986 generally had lower average daily rates and a significantly higher income before fixed charges than their counterparts with lower occupancies. As a ratio to total sales, properties with an occupancy rate of 70 percent and over reported a median income before fixed charges figure of 42.9 percent compared with 28.0 percent for hotels with occupancies less than 70 percent. For every dollar of revenue generated, almost 43 cents remained before paying for fixed charges. For other comparisons by percent of occupancies, see Exhibit 23.

When compared with the total U.S market, all-suite hotels reported lower expenses as a ratio to room sales for each of its major rooms expenses (payroll, travel agent commissions, operating supplies and linen and laundry), thus realizing net departmental income of 76.7 percent, or 3.6 percentage points higher than the total U.S. market.

The all-suite segment tended to spend less of their marketing budget on advertising than the total U.S.

Exhibit 5
Highlights

- Total revenue on a per suite basis was $17,891.
- Room occupancy for all-suite properties was 70.3 percent compared with 64.9 percent for total U.S.
- The average daily rate per occupied suite was $63.33 compared with $56.29 for total U.S.
- Income before fixed charges was 38.0 percent as a ratio to total sales. On a per suite basis the figure was $68.20.

market. On the average, 28.3 cents of each dollar allocated to the marketing department was spent on advertising compared with 34.5 cents for the total U.S. The Western region generally spent more on advertising than other regions (probably due to more competition for the all-suite customer).

The minor operated departments in all-suite hotels continue to help the bottom line. Each area reported a profit as an amount per available room. The telephone department reported $88, rentals and other income, $257, and the minor operated departments, $54. Hence, if the property that reported the $257 per suite profit had 100 suites, the rental and other income department would have generated $25,700 in revenue for the year.

Another factor that affected the high income before fixed charges is the reduced expenses in the energy department, and property operations and maintenance departments. Costs are lower on a per room basis because all-suite hotels generally contain less public space than a full-service property. Public space drains resources and must be maintained even when not in use. For example, this year's sample reported total energy expenses of $1,027 per suite, while the total U.S. sample reported $1,168. Also, the property operation and maintenance department had a median expense per suite of $858 compared with the $1,182 for the total U.S.

All-suite hotels without restaurants on premises reported occupancy rates of 6 percentage points higher than those with restaurants. They also had approximately 10 cents more per dollar remaining after expenses and before fixed charges—43.3 percent compared with 33.9 percent.

Having a chain affiliation did not affect the occupancy or average daily rate of an all-suite property—these figures varied only slightly. However, chain-affiliated properties had a 39 percent median income before fixed charges, considerably higher than the 21.5 percent for the independent hotels. One reason for the difference is the 68.5 percent suites department profit compared with only 47.7 percent profit for independent properties. The higher suite department profit may be the result of standardized practices throughout chain operations leading to less costs and more profits.

Conclusion

All-suite operations have once again proven their merit in 1986. Their occupancy rates and average daily rates are consistently outperforming the rest of the hotel market. These two statistics alone, however, do not prove success. Another measure, when looked at in conjunction with the aforementioned, is income before fixed charges, which continues to outshine the full-service hotel figure by a substantial amount. All-suite hotels have demonstrated that they are not just another lodging concept that will be replaced when a new idea arises. In fact, an all-suite hotel is the first original idea that has come into the industry in a long time; many supposedly new lodging concepts were just the repackaging of old ideas.

Chart 6
All-Suite Market Mix

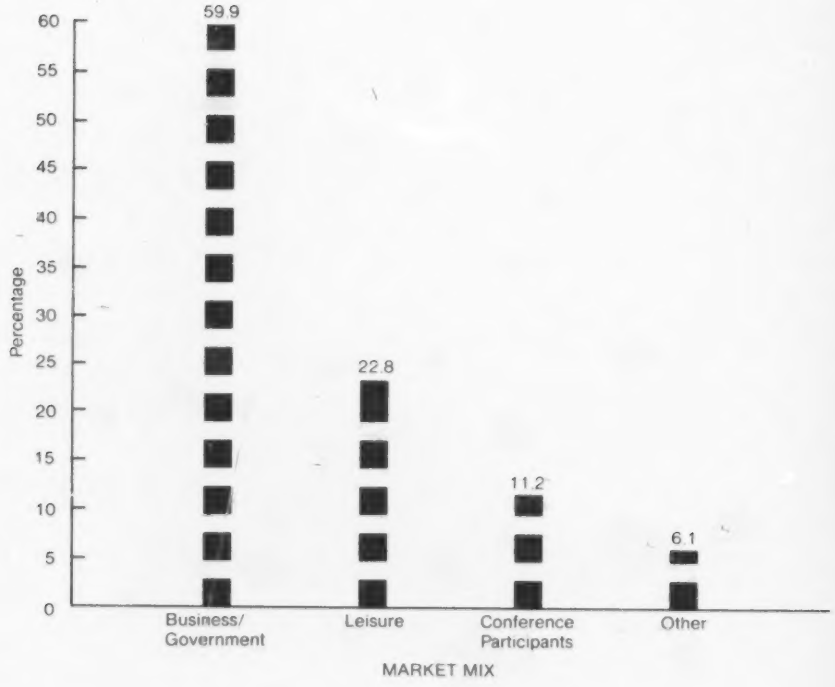


Chart 7
Technological Characteristics
In-Room Entertainment Systems

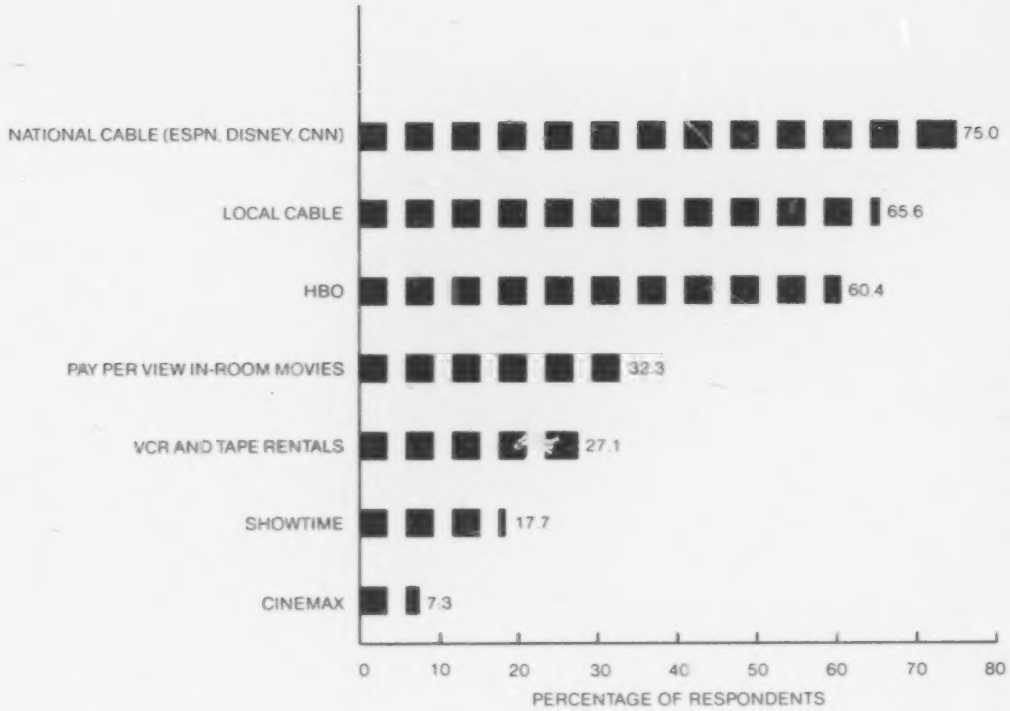


Chart 8
Technological Characteristics
Telephone Services

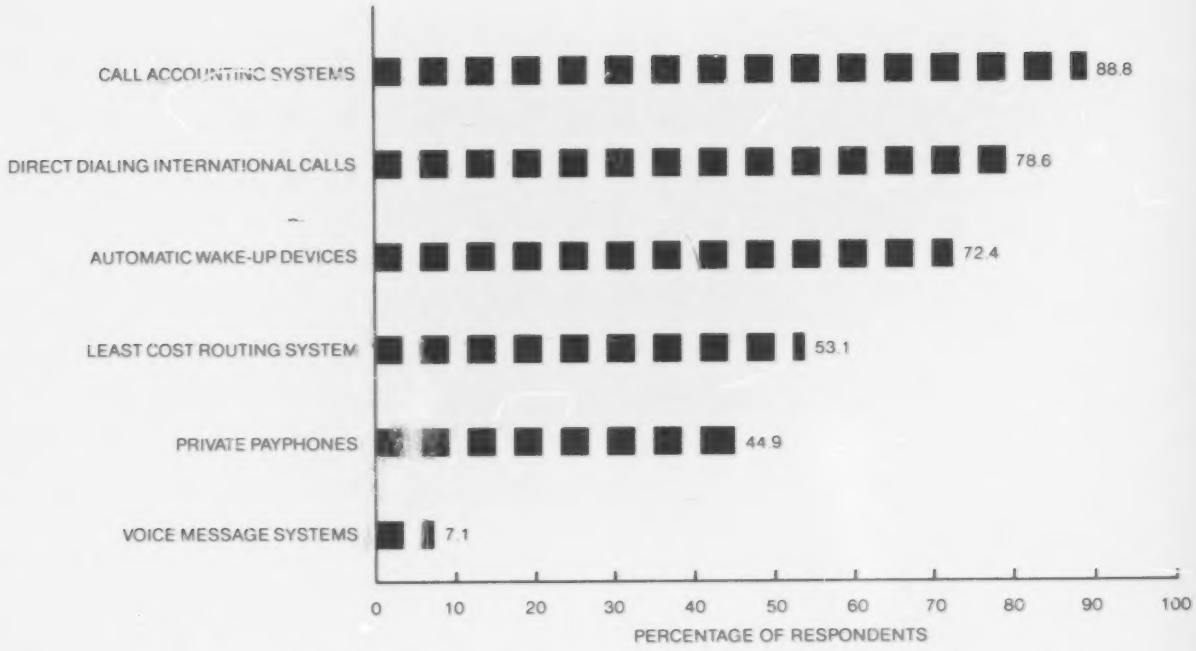


Chart 9
Technological Characteristics
Property Automation

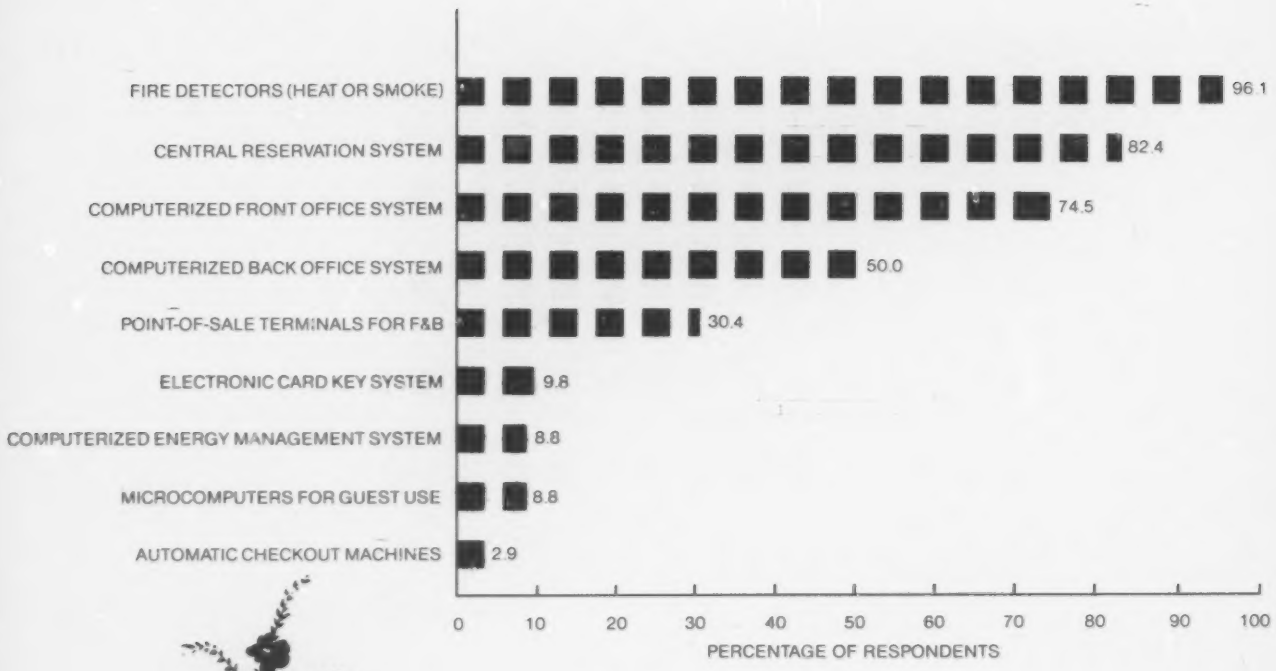


Exhibit 6

1987 Profile of Contributors

Affiliation	
Chain Affiliated*	75.2%
Independent	19.0
Not Reported	5.8
Location	
Suburban	60.0%
All Others[1]	40.0
Average Rate	
Under $60.00	31.6%
$60.00-$69.99	42.1
$70.00 & Over	26.3
Occupancy	
Under 70%	47.4%
70% & Over	52.6
Size	
Under 200 Suites	59.6%
200 Suites & Over	40.4
Region[2]	
Northeast	0.0%
North Central	22.8
South	42.1
West	35.1%
Food & Beverage	
Hotels with Restaurant(s)	22.9%
Hotels without Restaurant(s)	77.1
Year Open	
Pre-1982	35.2%
1982-1984	19.0
Post 1984	44.8
Not Reported	1.0
Total Sales	
Under $2 Million	16.2%
$2 Million-$4 Million	23.8
Over $4 Million	45.7
Not Reported	14.3

*Includes chain-owned, chain-managed, chain-leased and chain-franchised properties.
[1]Includes airport, highway, resort and center city locations.
[2]North Central—IL, IN, KS, MN, MO, NE, OH, WI.
South—FL, GA, LA, NY, SC, TN, TX, VA.
West—AZ, CA, CO, HI, OR, WA.

Exhibit 7
*Market Data**

	All-Suite	Total U.S.†	Region‡ North Central	South	West
Source of Business					
Foreign	11.6%	10.5%	**	10.3%	14.3%
Domestic	88.4	89.5	**	89.7	85.7
Total	100.0%	100.0%	**	100.0%	100.0%
Percent of Repeat Business	44.0%	29.9%	39.2%	49.5%	40.1%
Composition of Market					
Leisure	22.8%	30.0%	**	19.6%	26.5%
Business/Government	59.9	42.1	**	62.3	57.1
Conference Participants	11.2	18.9	**	11.3	11.0
Other	6.1	9.0	**	6.7	5.4
Total	100.0%	100.0%	**	100.0%	100.0%
Percentage of Guests with Advanced Reservations	81.9%	72.5%	**	84.7%	77.6%
Advanced Reservation Mix					
Direct Inquiry	38.2%	41.4%	**	40.6%	33.1%
Own Reservation Systems	22.8	23.2	**	19.6	29.7
Independent Reservation Systems	5.4	4.3	**	4.4	7.5
Travel Agent	17.4	13.9	**	15.3	18.7
Tour Operators	2.9	4.8	**	3.5	2.1
Hotel Representative	12.5	11.3	**	15.5	8.4
Transportation Company	0.8	1.1	**	1.1	0.5
Total	100.0%	100.0%	**	100.0%	100.0%

*All amounts are means.
**Insufficient response.
‡Region breakdowns can be found in Exhibit 6.
†Total U.S. figures taken from *U.S. Lodging Industry 1987.*

Exhibit 8
*Distribution of Sales**

	All-Suite	Total U.S.†	Size: Under 200 Suites	Size: 200 Suites & Over
Sales Distribution				
Cash Sales	28.3%	31.7%	29.6%	22.8%
Credit Card Sales	59.0	52.7	59.1	62.3
All Other Credit Sales	12.7	16.6	11.3	14.9
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Cash Sales from Travel Agents & Tour Operators	19.7%	18.7%	12.3%	16.2%
Percentage of Credit Card Sales by Card				
American Express	49.0%	45.9%	47.1%	46.6%
Visa	21.7	24.4	21.2	28.4
Master Card	18.2	19.8	20.9	14.5
Diners' Club	6.4	5.0	6.2	5.3
Carte Blanche	2.6	2.0	3.1	3.3
Discover	1.9	1.5	1.5	1.7
Other	0.2	1.4	0.0	0.2
Total	100.0%	100.0%	100.0%	100.0%

*All amounts are means.
†Total U.S. figures taken from *U.S. Lodging Industry 1987*.

Exhibit 9

*Occupancy and Average Rates**

	Occupancy	Number of Guests per Suite	Average Suite Rate
All-Suite	70.3%	1.59	$63.33
Location			
Suburban	70.5%	1.50	$64.34
All Others[1]	70.0	1.72	63.15
Average Rate			
Under $60.00	74.1%	1.46	$47.70
$60.00-$69.99	69.7	1.38	63.63
$70.00 & Over	68.0	1.69	80.47
Occupancy			
Under 70%	63.5%	1.61	$66.01
70% & Over	75.3	1.56	61.64
Size			
Under 200 Suites	73.0%	1.46	$60.66
200 Suites & Over	66.1	1.66	69.19
Region[2]			
North Central	73.3%	1.66	$65.22
South	69.0	1.70	63.33
West	73.8	1.46	61.10
Year Open			
Pre 1982	74.5%	1.59	$62.79
1982-1984	69.6	1.70	64.95
Post 1984	68.9	1.58	64.34
Total Sales			
Under $2 Million	69.9%	1.46	$52.03
$2 Million-$4 Million	73.0	1.75	63.39
Over $4 Million	68.0	1.59	77.24

*All amounts are medians.
[1]Includes airport, highway, resort and center city locations.
[2]Region breakdowns can be found in Exhibit 6.

Exhibit 10

Statement of Income and Expenses – All Respondents
Amounts per Available Suite and Ratios to Total Sales

	Amounts Per Suite			Ratios to Total Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Annual Occupancy	63.8%	70.3%	75.3%	63.8%	70.3%	75.3%
Annual Suite Rate	$54.91	$63.33	$71.62	$54.91	$63.33	$71.62
Revenues						
Suites	$12,626	$15,751	$17,866	77.0%	92.5%	94.7%
Food	1,425	3,228	6,358	9.3	16.2	24.4
Beverage	769	1,560	2,395	4.8	6.8	9.6
Other Food & Beverage	53	221	427	0.4	0.8	2.4
Telephone	410	617	788	2.4	3.3	4.1
Minor Operated	121	189	[illegible]	0.6	0.9	1.7
Rentals & Other Income	77	257	[illegible]	0.3	1.5	2.9
Total	$14,013	$17,891	$23,187	100.0%	100.0%	100.0%
Department Expenses						
Suites	$2,463	$3,750	$4,727	14.5%	19.8%	24.1%
Food & Beverage	1,277	3,819	6,505	10.8	21.4	28.3
Telephone	374	469	568	2.0	2.4	2.9
Minor Operated	74	140	590	0.5	0.9	2.6
Total	$3,929	$5,221	$7,544	23.0%	29.1%	43.6%
Department Profit						
Suites	$9,720	$11,732	$13,794	52.8%	67.3%	71.4%
Food & Beverage	(394)	273	1,307	(2.3)	1.7	4.5
Telephone	(34)	88	276	(0.2)	0.4	1.4
Minor Operated	(126)	54	169	(0.7)	0.3	0.8
Rentals & Other Income	77	257	[illegible]	0.3	1.5	2.9
Total	$10,814	$12,654	$15,366	56.4%	70.9%	77.0%
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related	$618	$736	$1,044	2.7%	3.6%	5.7%
Other	871	1,078	1,856	4.6	6.1	8.6
Total	$1,549	$1,831	$2,452	8.2%	9.9%	13.6%
Marketing						
Payroll & Related	$345	$423	$626	1.8%	2.3%	3.0%
Other	579	1,131	1,582	3.7	5.6	7.7
Total	$1,048	$1,457	$1,911	6.1%	7.5%	9.7%
Energy Costs	$823	$1,018	$1,137	4.0%	4.9%	6.3%
Property Operations & Maintenance	$611	$862	$1,004	3.7%	4.8%	5.4%
Total Undistributed Operating Expenses	$4,304	$5,121	$6,533	23.9%	27.5%	32.9%
Income Before Management Fees	$4,861	$7,491	$9,033	23.9%	41.6%	50.1%
Management Fees (Base & Incentive)	$593	$747	$1,072	3.2%	4.7%	5.1%
Income Before Fixed Charges	$4,233	$6,820	$8,637	23.9%	38.0%	45.4%

Exhibit 11
Suites Department
*Ratios to Room Sales**

			Average Suite Rate			Size	
	All-Suite	Total U.S.†	Under $60.00	$60.00-$69.99	$70.00 & Over	Under 200 Suites	200 Suites & Over
Revenue							
Suite Sales	100.0%	100.3%	100.0%	100.0%	100.0%	100.0%	100.0%
Allowance	1.1	0.7	**	**	**	**	**
Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses							
Payroll & Related	14.3%	17.5%	12.7%	17.6%	14.0%	16.4%	13.5%
Travel Agent Commissions & Reservation Expenses	1.5	2.4	0.6	1.6	1.9	1.0	1.9
Contract Cleaning, Dry Cleaning, Linen & Laundry	1.0	2.2	**	0.9	1.2	0.7	1.9
Operating Supplies	2.2	2.3	2.6	2.5	1.8	2.5	2.0
All Other Expenses	2.2	1.7	**	2.5	1.8	1.5	2.6
Total Departmental Expenses	23.3%	26.9%	19.2%	26.2%	21.8%	25.9%	22.4%
Net Departmental Income	76.7%	73.1%	80.8%	73.8%	78.2%	74.1%	77.6%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
†Total U.S. figures taken from *U.S. Lodging Industry 1987*.

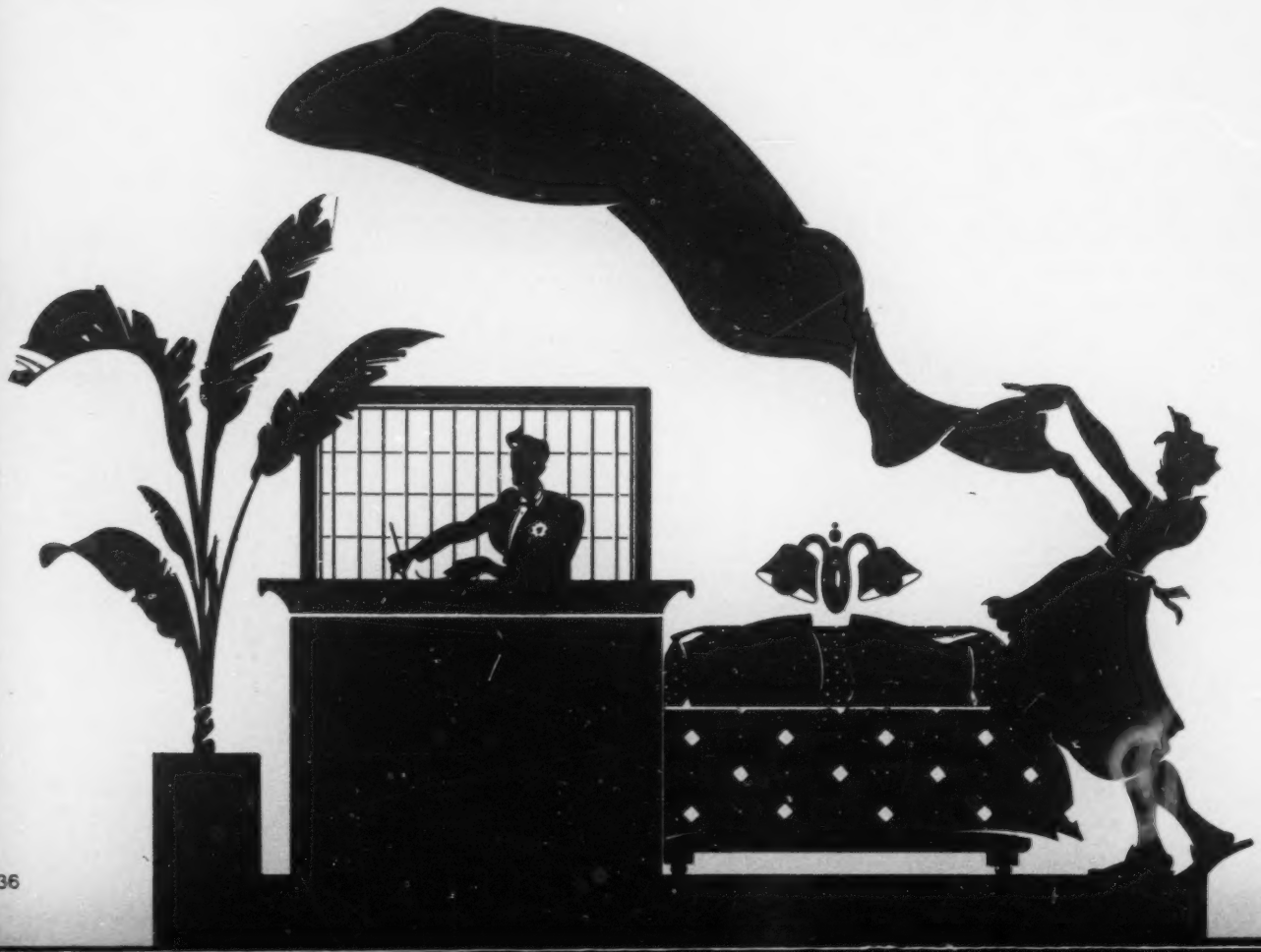


Exhibit 12

Minor Operated Departments and Other Income
*Amounts Per Available Suite and Ratios to Total Sales**

	All-Suite	Size	
		Under 200 Suites	200 Suites & Over
Amount Per Available Suite			
Telephone			
Sales	$617	$599	$617
Cost of Sales			
Cost of Calls	334	366	333
Equipment Rental	$82	$110	**
Total	366	428	345
Payroll & Related Expenses	105	**	**
All Other Expenses	16	**	17
Total Department Expenses	469	494	456
Net Department Income (Loss)	$88	$88	$85
Minor Departments			
Sales	$189	$159	**
Cost of Sales	**	**	**
Payroll & Related Expenses	**	**	**
Other Expenses	**	**	**
Total Department Costs & Expenses	140	**	**
Net Department Income (Loss)	$54	$(2)	**
Rentals & Other Income			
Space Rentals	$178	**	$187
Concessions	**	**	**
Commissions	**	**	**
Other	133	103	142
Total Department Income	$257	$250	$290
Ratios to Total Sales			
Telephone			
Sales	3.3%	3.5%	2.9%
Cost of Sales	2.1	2.4	1.9
Payroll & Related Expenses	0.5	**	**
Net Income (Loss)	0.4%	0.4%	0.3%
Minor Departments			
Sales	0.9%	0.8%	**
Cost of Sales	**	**	**
Payroll & Related Expenses	**	**	**
Net Income (Loss)	0.3%	**	**
Rentals & Other Income			
Space Rentals	1.2%	**	1.7%
Concessions	**	**	**
Commissions	**	**	**
Other	0.7	0.4	0.8
Net Income	1.5%	1.1%	1.7%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 13
*Ratios to Telephone Department Sales**

Cost of Sales	
Cost of Calls	61.5%
Equipment Rental	16.7
Total Cost of Sales	78.5
Payroll & Related Expenses	19.2
All Other Expenses	3.0
Total Departmental Expenses	79.3
Net Department Income (Loss)	20.7%

*All amounts are medians and do not necessarily add to totals shown.

Exhibit 14
Analysis of Administrative and General Expenses
*Ratios to Total Sales**

		Size of Property	
	All-Suite	Under 200 Suites	200 Suites & Over
Payroll & Related Expenses	3.6%	3.6%	3.3%
Bad Debts	0.2	0.2	0.2
Credit Card Commissions	1.8	1.9	1.8
Data Processing Services	0.2	0.3	**
Insurance (General)	0.9	0.9	**
Licenses & Dues	0.1	0.1	0.1
Operating Supplies	0.5	0.5	0.5
Professional Fees	0.3	0.6	0.1
Security	0.4	0.4	0.2
Travel & Entertainment	0.3	0.3	0.3
All Other Expenses	1.3	1.3	1.3
Total	9.9%	9.2%	10.2%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 15
*How the Marketing Dollar Was Allocated**

	All-Suite	Total U.S.†	Occupancy		Region‡		
			Under 70%	70% & Over	North Central	South	West
Payroll & Related Expenses	30.9%	27.0%	33.4%	27.5%	25.7%	34.0%	26.7%
Sales Expenses	6.2	9.4	8.6	3.0	7.5	7.5	4.0
Advertising Expenses							
Print	16.6	14.4	16.9	16.5	7.7	16.7	22.9
Radio & TV	2.6	7.0	2.7	2.4	1.1	4.3	1.2
Outdoor	3.4	4.6	3.6	3.0	6.0	4.4	0.8
Other	5.7	8.5	6.7	4.4	10.5	3.5	6.9
Merchandising	2.0	3.6	2.7	1.1	3.5	2.4	0.8
Public Relations	2.9	2.5	2.8	3.1	2.8	2.6	3.4
Franchise Fees	14.2	11.3	10.8	18.6	24.7	5.9	19.5
All Other Expenses	15.5	11.7	11.8	20.4	10.5	18.7	13.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*All amounts are means.
†Total U.S. figures taken from *U.S. Lodging Industry 1987*.
‡Region breakdowns can be found at Exhibit 6.

Exhibit 16

Energy, Property Operations and Maintenance Departments
*Amounts Per Available Suite**

	Energy						Property Operations & Maintenance		
	Fuel	Electricity	Water	Steam	Energy Credit	Total Energy	Payroll	Other Expenses	Total Property Operations & Maintenance
All-Suite	$121	$774	$101	**	**	$1,027	$387	$496	$ 858
Total U.S.†	$200	$815	$115	$145	$47	$1,168	$515	$634	$1,182
Location									
Suburban	$165	$790	$101	**	**	$1,051	$409	$513	$ 872
All Others[1]	97	768	106	**	**	912	$341	493	858
Size									
Under 200 Suites	$ 97	$771	$94	**	**	$1,002	$380	$501	$ 852
200 Suites & Over	168	800	112	**	**	1,034	$387	496	878
Rate									
Under $60.00	**	**	**	**	**	$794	**	**	$ 532
$60.00-$69.99	$165	$777	$92	**	**	1,008	$386	$493	854
$70.00 & Over	168	913	174	**	**	1,158	482	748	996
Region[2]									
North Central	$128	$777	$122	**	**	$1,059	**	$574	$ 896
South	116	771	78	**	**	1,002	$415	423	889
West	165	639	108	**	**	912	391	532	833

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
[1]Includes airport, highway, resort and center city locations.
[2]Region breakdowns can be found in Exhibit 6.
†Total U.S. figures taken from *U.S. Lodging Industry 1987*.

Exhibit 17

Management Fees
Amounts Per Suite and Ratios to Total Sales

	All-Suite	Total U.S.†
Amounts per Available Suite		
Lower Quartile	$605	$481
Median	794	775
Upper Quartile	1,087	1,159
Ratios to Total Sales		
Lower Quartile	3.3%	2.2%
Median	4.8	3.4
Upper Quartile	5.2	4.4

†Total U.S. figures taken from *U.S. Lodging Industry 1987.*

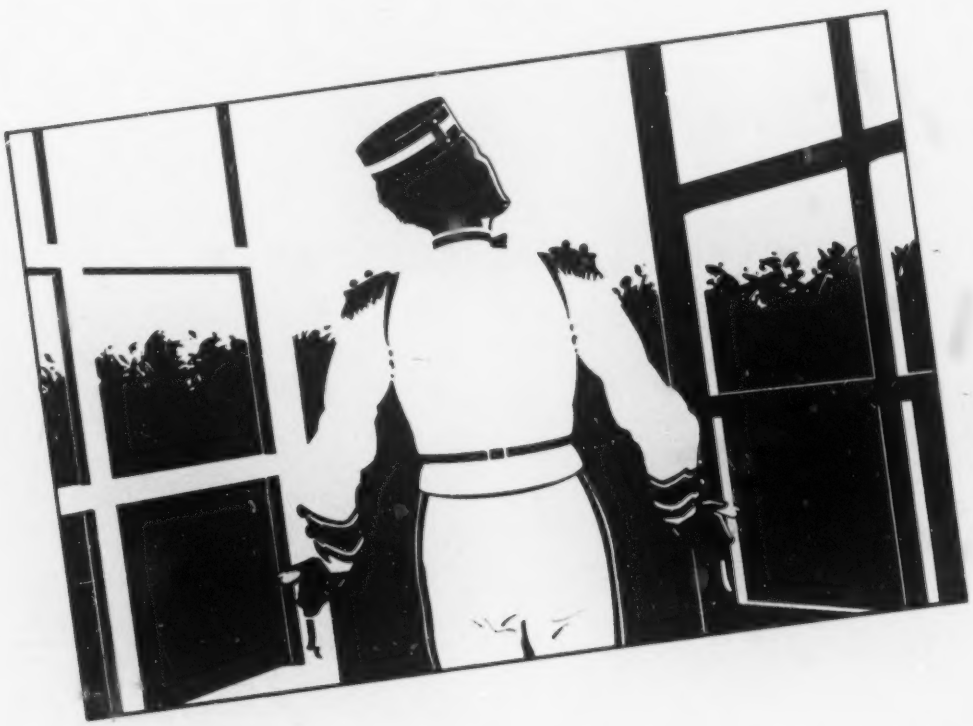


Exhibit 18

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Amounts Per Suite		Ratios to Total Sales	
	All-Suite	Total U.S.†	All-Suite	Total U.S.†
Annual Occupancy	70.3%	64.9%	70.3%	64.9%
Annual Suite Rate	$63.33	$56.29	$63.33	$56.29
Revenues				
Suites	$15,751	$12,933	92.5%	61.1%
Food	3,228	5,928	18.2	24.4
Beverage	1,560	2,248	6.8	9.1
Other Food & Beverage	221	309	0.8	1.4
Telephone	617	499	3.3	2.3
Minor Operated	189	303	0.9	1.3
Rentals & Other Income	257	269	1.5	1.1
Total	$17,891	$21,739	100.0%	100.0%
Department Expenses				
Suites	$3,750	$3,435	19.8%	16.5%
Food & Beverage	3,819	7,037	21.4	29.2
Telephone	469	490	2.4	2.3
Minor Operated	140	301	0.9	1.1
Total	$5,221	$10,432	29.1%	46.9%
Department Profit				
Suites	$11,732	$9,624	67.3%	44.0%
Food & Beverage	273	1,174	1.7	5.4
Telephone	88	12	0.4	0.1
Minor Operated	54	40	0.3	0.1
Rentals & Other Income	257	269	1.5	1.1
Total	$12,654	$11,537	70.9%	53.1%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$736	$1,126	3.6%	4.9%
Other	1,078	1,314	6.1	5.6
Total	$1,831	$2,354	9.9%	10.4%
Marketing				
Payroll & Related	$423	$494	2.3%	2.1%
Other	1,131	1,038	5.6	4.7
Total	$1,457	$1,461	7.5%	6.6%
Energy Costs	$1,018	$1,168	4.9%	5.3%
Property Operations & Maintenance	$862	$1,182	4.8%	5.4%
Total Undistributed Operating Expenses	$5,121	$6,158	27.5%	27.5%
Income Before Management Fees	$7,491	$5,373	41.6%	25.4%
Management Fees (Base & Incentive)	$747	$775	4.7%	3.4%
Income Before Fixed Charges	$6,820	$4,591	38.0%	22.7%

*All amounts are medians and do not necessarily add to totals shown.
†Total U.S. figures from *U.S. Lodging Industry 1987*.

Exhibit 19

Statement of Income and Expenses
Hotels With Restaurants Compared With Hotels Without Restaurants
*Amounts Per Available Suite and Ratios to Total Sales**

	Amounts Per Suite		Ratios to Total Sales	
	Hotels With Restaurants	Hotels Without Restaurants	Hotels With Restaurants	Hotels Without Restaurants
Annual Occupancy	69.0%	75.0%	69.0%	75.0%
Annual Suite Rate	$63.87	$60.61	$63.87	$60.61
Revenues				
Suites	$15,259	$15,878	88.2%	94.4%
Food	3,228	N/A	16.2	N/A
Beverage	1,560	N/A	6.8	N/A
Other Food & Beverage	221	N/A	0.8	N/A
Telephone	563	768	3.0	4.1
Minor Operated	184	**	0.8	**
Rentals & Other Income	250	290	1.3	1.8
Total	$18,659	$16,675	100.0%	100.0%
Department Expenses				
Suites	$ 3,750	$ 4,361	18.0%	22.4%
Food & Beverage	3,819	N/A	21.4	N/A
Telephone	464	494	2.4	2.5
Minor Operated	173	**	0.9	**
Total	$ 5,282	$ 4,931	35.0%	26.9%
Department Profit				
Suites	$11,612	$12,122	60.6%	70.8%
Food & Beverage	273	N/A	1.7	N/A
Telephone	71	232	0.4	1.3
Minor Operated	48	**	0.2	**
Rentals & Other Income	250	290	1.3	1.8
Total	$12,933	$12,558	65.0%	73.1%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 787	$ 618	3.8%	2.9%
Other	1,124	991	6.7	5.4
Total	$ 1,940	$ 1,656	10.6%	8.8%
Marketing				
Payroll & Related	$ 424	$ 422	2.3%	2.5%
Other	1,291	595	6.8	3.9
Total	$ 1,560	$ 1,200	7.8%	7.2%
Energy Costs	$ 1,041	$ 865	4.8%	5.4%
Property Operations & Maintenance	$ 862	$ 862	4.5%	5.2%
Total Undistributed Operating Expenses	$ 5,602	$ 4,810	27.9%	25.8%
Income Before Management Fees	$ 7,028	$ 8,303	37.5%	47.0%
Management Fees (Base & Incentive)	$ 738	$ 927	4.1%	5.0%
Income Before Fixed Charges	$ 6,626	$ 7,659	33.9%	43.3%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response
N/A—Not applicable

"In 1876, Fred Harvey founded the company that, soon after, established Harvey Houses every 100 miles along the Santa Fe Railway."

Exhibit 20

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Amounts Per Suite		Ratios to Total Sales	
	Chain Affiliated***	Independent	Chain Affiliated***	Independent
Annual Occupancy	70.5%	69.8%	70.5%	69.8%
Annual Suite Rate	$63.15	$62.62	$63.15	$62.62
Revenues				
Suites	$16,030	$13,488	93.1%	91.0%
Food	2,626	**	12.6	**
Beverage	1,434	**	6.0	**
Other Food & Beverage	225	**	1.4	**
Telephone	624	526	3.5	2.8
Minor Operated	179	**	1.0	**
Rentals & Other Income	264	194	1.7	0.9
Total	$17,687	$19,275	100.0%	100.0%
Department Expenses				
Suites	$3,734	$2,752	19.9%	19.2%
Food & Beverage	3,018	**	18.1	**
Telephone	481	586	2.4	2.4
Minor Operated	**	**	**	**
Total	$5,168	$6,820	28.7%	43.0%
Department Profit				
Suites	$12,046	$10,398	68.5%	47.7%
Food & Beverage	216	**	1.4	**
Telephone	161	(41)	1.0	(0.2)
Minor Operated	60	**	0.5	**
Rentals & Other Income	264	194	1.7	0.9
Total	$12,793	$11,040	71.3%	57.0%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$709	$844	3.8%	3.4%
Other	1,057	1,164	6.3	6.0
Total	$1,799	$2,016	10.0%	8.8%
Marketing				
Payroll & Related	$409	$570	2.3%	2.7%
Other	1,107	1,270	6.7	4.6
Total	$1,439	$1,690	7.4%	7.8%
Energy Costs	$957	$1,080	4.9%	5.2%
Property Operations & Maintenance	$848	$982	4.5%	5.0%
Total Undistributed Operating Expenses	$5,071	$5,944	27.7%	26.8%
Income Before Management Fees	$7,650	$5,059	44.4%	22.6%
Management Fees (Base & Incentive)	$766	$790	4.7%	5.1%
Income Before Fixed Charges	$7,220	$4,800	39.0%	21.5%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
***Includes chain-owned, chain-managed, chain-leased, and chain-franchised properties.

Exhibit 21

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Location			
	Amounts Per Suite		Ratios to Total Sales	
	Suburban	All Others†	Suburban	All Others†
Annual Occupancy	70.5%	69.8%	71.0%	70.0%
Annual Suite Rate	$63.15	$62.62	$63.87	$63.15
Revenues				
Suites	$16,030	$13,488	91.0%	93.25%
Food	2,626	**	19.5	**
Beverage	1,434	**	8.0	**
Other Food & Beverage	225	**	0.5	1.5
Telephone	624	526	2.9	3.6
Minor Operated	179	**	1.0	**
Rentals & Other Income	264	194	1.9	1.1
Total	$17,687	$19,275	100.0%	100.0%
Department Expenses				
Suites	$3,734	$3,752	17.6%	21.7%
Food & Beverage	3,018	**	24.2	**
Telephone	481	586	2.4	2.4
Minor Operated	**	**	1.6	**
Total	$5,168	$6,820	36.2%	27.2%
Department Profit				
Suites	$12,046	$10,398	58.8%	68.2%
Food & Beverage	216	**	2.2	1.4
Telephone	161	(41)	0.1	1.0
Minor Operated	60	**	0.1	**
Rentals & Other Income	264	194	1.9	1.1
Total	$12,793	$11,040	63.8%	72.8%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$709	$844	3.7%	3.2%
Other	1,057	1,164	7.2	6.1
Total	$1,799	$2,016	11.4%	9.1%
Marketing				
Payroll & Related	$409	$570	2.2%	2.5%
Other	1,107	1,270	4.7	6.9
Total	$1,439	$1,690	6.8%	7.6%
Energy Costs	$957	$1,080	4.7%	5.2%
Property Operations & Maintenance	$848	$982	4.8%	4.8%
Total Undistributed Operating Expenses	$5,071	$5,944	28.8%	27.4%
Income Before Management Fees	$7,650	$5,059	29.5%	45.4%
Management Fees (Base & Incentive)	$766	$700	3.7%	5.0%
Income Before Fixed Charges	$7,220	$4,800	28.0%	41.1%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
†Includes airport, highway, resort and center city locations.

Exhibit 22

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Average Rate					
	Amounts Per Suite			Ratios to Total Sales		
	Under $60.00	$60.00-$69.99	$70.00 & Over	Under $60.00	$60.00-$69.99	$70.00 & Over
Annual Occupancy	74.1%	69.7%	68.0%	74.1%	69.7%	68.0%
Annual Suite Rate	$47.70	$63.63	$80.47	$47.70	$63.63	$80.47
Revenues						
Suites	$12,486	$16,095	$20,784	92.8%	93.1%	77.9%
Food	**	**	**	**	**	**
Beverage	**	**	**	**	**	**
Other Food & Beverage	**	**	**	**	**	**
Telephone	491	619	758	3.8	3.3	2.8
Minor Operated	**	**	**	**	**	**
Rentals & Other Income	259	250	274	1.4	1.7	1.0
Total	$13,693	$17,687	$26,629	100.0%	100.0%	100.0%
Department Expenses						
Suites	$2,119	$3,678	$4,087	16.9%	22.1%	15.5%
Food & Beverage	**	2,945	**	**	22.5	**
Telephone	453	436	566	2.9	2.5	2.1
Minor Operated	**	127	**	**	0.8	**
Total	$3,501	$5,202	$9,373	28.8%	28.1%	36.2%
Department Profit						
Suites	$10,555	$11,791	$16,152	69.4%	66.8%	58.7%
Food & Beverage	**	186	**	**	1.2	**
Telephone	(6)	101	177	(0.1)	0.6	0.5
Minor Operated	**	(9)	**	**	(0.1)	**
Rentals & Other Income	259	250	274	1.4	1.7	1.0
Total	$11,040	$12,478	$17,417	71.2%	71.9%	63.8%
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related	**	$703	$862	**	3.7%	3.0%
Other	840	1,073	1,783	5.9	6.1	7.0
Total	$1,521	$1,737	$2,282	9.9%	10.3%	8.8%
Marketing						
Payroll & Related	$307	$423	$606	2.3%	2.5%	2.0%
Other	566	1,327	1,640	4.0	7.5	6.8
Total	$1,038	$1,484	$2,026	6.8%	8.2%	8.7%
Energy Costs	$794	$1,005	$1,158	4.9%	5.6%	3.9%
Property Operations & Maintenance	$532	$853	$996	4.2%	5.1%	4.2%
Total Undistributed Operating Expenses	$3,668	$5,523	$7,049	27.0%	29.9%	25.6%
Income Before Management Fees	$6,894	$7,383	$10,590	45.7%	41.6%	32.5%
Management Fees (Base & Incentive)	**	$753	$899	**	4.7%	3.5%
Income Before Fixed Charges	$6,100	$6,636	$9,796	41.5%	38.5%	29.7%

*All amounts are medians and do not necessarily add to totals shown
**Insufficient response

Exhibit 23

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Occupancy			
	Amounts Per Suite		Ratios to Total Sales	
	Less than 70%	70% & Over	Less than 70%	70% & Over
Annual Occupancy	63.5%	75.3%	63.5%	75.3%
Annual Suite Rate	$66.01	$61.64	$66.01	$61.64
Revenues				
Suites	$14,755	$16,755	83.7%	93.7%
Food	2,724	**	16.2	**
Beverage	1,195	**	6.5	**
Other Food & Beverage	96	**	0.5	**
Telephone	530	779	3.0	3.6
Minor Operated	189	**	0.9	**
Rentals & Other Income	197	268	1.7	1.4
Total	$15,718	$18,791	100.0%	100.0%
Department Expenses				
Suites	$3,397	$4,456	19.2%	19.9%
Food & Beverage	3,819	**	21.4	**
Telephone	443	511	2.5	2.3
Minor Operated	173	**	0.9	**
Total	$6,820	$5,183	36.9%	27.0%
Department Profit				
Suites	$10,885	$12,726	59.0%	68.6%
Food & Beverage	229	**	1.4	**
Telephone	66	133	0.3	0.6
Minor Operated	(9)	**	(0.1)	**
Rentals & Other Income	197	268	1.7	1.4
Total	$11,447	$13,817	63.1%	73.0%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$807	$700	4.1%	3.0%
Other	1,416	1,057	7.6	5.5
Total	$2,322	$1,697	12.1%	8.8%
Marketing				
Payroll & Related	$454	$394	2.5%	1.7%
Other	1,256	837	6.7	4.7
Total	$1,579	$1,311	8.8%	6.8%
Energy Costs	$1,015	$1,026	5.7%	4.6%
Property Operations & Maintenance	$854	$905	4.4%	4.8%
Total Undistributed Operating Expenses	$5,944	$4,819	31.1%	26.3%
Income Before Management Fees	$6,179	$8,390	28.1%	46.5%
Management Fees (Base & Incentive)	$642	$909	3.9%	4.9%
Income Before Fixed Charges	$5,742	$7,635	28.0%	42.9%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

"Only during times when a strong central authority could ensure safety along commercial routes—as did the Roman Empire—did travel and tavern-keeping flourish."

Exhibit 24

Statement of Income and Expenses
*Amounts Per Available Suite and Ratios to Total Sales**

	Size			
	Amounts Per Suite		Ratios to Total Sales	
	Less than 200 Suites	200 Suites & Over	Under 200 Suites	200 Suites & Over
Annual Occupancy	73.0%	66.1%	73.0%	66.1%
Annual Suite Rate	$60.66	$69.19	$60.66	$69.19
Revenues				
Suites	$15,192	$16,160	93.5%	88.0%
Food	2,003	4,360	12.8	17.0
Beverage	**	1,446	**	6.5
Other Food & Beverage	221	162	1.4	0.7
Telephone	599	617	3.5	2.9
Minor Operated	159	**	0.8	**
Rentals & Other Income	250	290	1.1	1.7
Total	$16,546	$21,045	100.0%	100.0%
Department Expenses				
Suites	$4,171	$3,393	20.2%	18.3%
Food & Beverage	3,611	4,179	18.3	21.4
Telephone	494	456	2.4	2.3
Minor Operated	**	**	**	**
Total	$5,237	$5,168	29.1%	31.8%
Department Profit				
Suites	$11,389	$12,678	67.6%	63.4%
Food & Beverage	223	320	1.7	1.7
Telephone	88	85	0.5	0.4
Minor Operated	**	(60)	**	(0.2)
Rentals & Other Income	250	290	1.1	1.7
Total	$11,814	$13,097	70.9%	68.2%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$700	$810	3.6%	3.3%
Other	1,078	1,164	6.5	6.1
Total	$1,687	$1,909	9.1%	10.2%
Marketing				
Payroll & Related	$422	$440	2.3%	2.3%
Other	948	1,355	4.9	6.5
Total	$1,343	$1,560	7.5%	7.4%
Energy Costs	$995	$1,034	5.4%	4.6%
Property Operations & Maintenance	$862	$878	4.8%	4.6%
Total Undistributed Operating Expenses	$4,714	$5,665	27.1%	28.5%
Income Before Management Fees	$6,894	$7,611	45.4%	36.5%
Management Fees (Base & Incentive)	$842	$641	5.0%	3.5%
Income Before Fixed Charges	$6,736	$7,118	40.7%	33.9%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 25

Statement of Income and Expenses
*Amounts per Available Suite and Ratios to Total Sales**

	Region[1]					
	Amounts Per Suite			Ratios to Total Sales		
	North Central	South	West	North Central	South	West
Annual Occupancy	73.3%	69.0%	73.8%	73.3%	69.0%	73.8%
Annual Suite Rate	$65.22	$63.33	$61.10	$65.22	$63.33	$61.10
Revenues						
Suites	$16,813	$14,755	$16,095	90.7%	92.9%	92.4%
Food	2,493	3,803	3,843	11.4	20.5	17.5
Beverage	1,823	1,647	1,277	6.8	8.3	5.8
Other Food & Beverage	225	74	410	1.5	0.5	2.0
Telephone	638	555	623	2.9	3.5	3.1
Minor Operated	179	145	219	1.4	0.8	1.0
Rentals & Other Income	119	250	275	0.5	1.7	1.7
Total	$19,071	$16,109	$18,435	100.0%	100.0%	100.0%
Department Expenses						
Suites	$3,891	$3,751	$3,635	18.8%	21.0%	19.3%
Food & Beverage	1,770	4,888	3,470	11.6	22.5	25.1
Telephone	415	415	547	2.2	2.4	2.5
Minor Operated	321	86	207	1.6	0.6	0.9
Total	$5,183	$5,283	$5,237	28.0%	33.5%	28.6%
Department Profit						
Suites	$12,460	$11,103	$12,771	67.6%	64.1%	67.8%
Food & Beverage	268	208	427	1.8	1.3	2.2
Telephone	132	122	71	0.6	0.6	0.4
Minor Operated	(156)	54	38	(0.5)	0.3	0.3
Rentals & Other Income	119	250	275	0.5	1.7	1.7
Total	$12,572	$11,466	$14,023	72.0%	66.5%	71.4%
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related	$757	$677	$810	4.1%	3.2%	3.6%
Other	850	1,440	1,078	5.2	8.6	5.2
Total	$1,769	$1,832	$1,846	9.3%	11.9%	8.7%
Marketing						
Payroll & Related	$372	$426	$423	2.2%	2.5%	2.2%
Other	1,181	863	1,340	7.4	4.7	4.8
Total	$1,428	$1,448	$1,774	8.3%	7.4%	7.7%
Energy Costs	$942	$1,054	$896	4.2%	6.0%	4.4%
Property Operations & Maintenance	$828	$912	$836	4.1%	5.0%	4.9%
Total Undistributed Operating Expenses	$4,794	$5,699	$5,022	26.6%	30.5%	25.6%
Income Before Management Fees	$7,531	$6,571	$8,477	43.4%	30.0%	46.4%
Management Fees (Base & Incentive)	$735	$741	$822	4.8%	4.4%	4.7%
Income Before Fixed Charges	$7,107	$5,781	$7,936	39.1%	28.9%	42.5%

*All amounts are based on medians and do not necessarily add to totals shown.
[1]Region breakdowns can be found in Exhibit 6.

Exhibit 26

Statement of Income and Expenses
*Amounts per Available Suite and Ratios to Total Sales**

	Year Open					
	Amounts Per Suite			Ratios to Total Sales		
	Pre-1982	1982-1984	Post 1984	Pre-1982	1982-1984	Post 1984
Annual Occupancy	70.8%	69.2%	69.0%	70.8%	69.2%	69.0%
Annual Suite Rate	$62.97	$66.81	$61.86	$62.97	$66.81	$61.86
Revenues						
Suites	$16,029	$15,955	$14,889	93.2%	83.1%	91.7%
Food	3,228	**	2,003	17.0	**	12.4
Beverage	1,560	**	1,131	7.4	**	5.5
Other Food & Beverage	160	**	100	0.7	**	0.6
Telephone	626	571	524	3.5	3.0	3.0
Minor Operated	198	**	**	1.1	**	**
Rentals & Other Income	259	111	256	1.7	0.7	1.7
Total	$17,687	$20,525	$18,330	100.0%	100.0%	100.0%
Department Expenses						
Suites	$3,752	$3,734	$3,709	20.2%	17.7%	19.3%
Food & Beverage	4,168	4,179	3,055	21.4	20.7	24.2
Telephone	494	487	448	2.4	2.2	2.5
Minor Operated	113	**	**	0.9	**	**
Total	$5,213	$6,206	$5,233	28.8%	32.5%	34.1%
Department Profit						
Suites	$12,122	$12,371	$10,534	67.4%	63.4%	60.2%
Food & Beverage	251	947	275	1.3	3.7	1.8
Telephone	104	72	77	0.4	0.4	0.5
Minor Operated	60	**	**	0.5	**	**
Rentals & Other Income	259	111	256	1.7	0.7	1.7
Total	$12,933	$13,478	$11,556	71.2%	67.5%	65.9%
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related	$709	$714	$787	3.3%	3.2%	4.3%
Other	1,067	1,566	1,081	6.1	6.3	7.1
Total	$1,767	$2,262	$1,909	9.1%	9.0%	11.9%
Marketing						
Payroll & Related	$423	$426	$423	2.2%	2.1%	2.5%
Other	1,107	1,002	1,327	4.8	4.8	7.5
Total	$1,440	$1,460	$1,644	7.3%	7.4%	9.4%
Energy Costs	$950	$1,083	$1,014	4.8%	4.8%	5.6%
Property Operations & Maintenance	$896	$849	$822	5.0%	3.9%	4.7%
Total Undistributed Operating Expenses	$5,022	$5,751	$5,461	27.4%	25.7%	31.3%
Income Before Management Fees	$7,711	$7,924	$5,130	43.3%	42.2%	30.1%
Management Fees (Base & Incentive)	$806	$738	$613	4.8%	4.1%	3.7%
Income Before Fixed Charges	$7,011	$7,568	$4,458	38.5%	41.5%	28.8%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 27

Statement of Income and Expenses
*Amounts per Available Suite and Ratios to Total Sales**

	Total Sales					
	Amounts Per Suite			Ratios to Total Sales		
	Under $2 Million	$2-$4 Million	Over $4 Million	Under $2 Million	$2-$4 Million	Over $4 Million
Annual Occupancy	70.2%	73.0%	68.0%	70.2%	73.0%	68.0%
Annual Suite Rate	$60.88	$63.39	$77.24	$60.88	$63.39	$77.24
Revenues						
Suites	$15,087	$16,029	$18,584	93.0%	93.2%	71.9%
Food	2,063	**	4,992	14.1	**	19.5
Beverage	1,320	**	1,973	6.8	**	6.8
Other Food & Beverage	221	**	**	0.8	**	**
Telephone	571	544	754	3.4	3.5	2.9
Minor Operated	189	**	**	1.2	**	**
Rentals & Other Income	256	228	435	1.7	1.2	1.7
Total	$16,263	$17,891	$24,504	100.0%	100.0%	100.0%
Department Expenses						
Suites	$3,678	$3,678	$4,092	20.2%	20.1%	16.4%
Food & Beverage	3,262	**	5,606	20.7	**	21.4
Telephone	466	426	544	2.5	2.4	2.2
Minor Operated	106	**	**	0.9	**	**
Total	$5,168	$5,198	$9,373	29.2%	27.3%	36.2%
Department Profit						
Suites	$11,389	$11,867	$14,456	67.3%	68.3%	58.7%
Food & Beverage	223	186	964	1.4	1.2	4.5
Telephone	69	101	177	0.4	0.8	0.6
Minor Operated	76	**	**	0.5	**	**
Rentals & Other Income	256	228	435	1.7	1.2	1.7
Total	$11,808	$12,606	$15,962	70.8%	72.7%	63.8%
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related	$736	$695	$844	3.7%	3.6%	3.0%
Other	1,064	1,081	1,767	6.5	6.0	6.5
Total	$1,796	$1,697	$2,282	10.2%	9.8%	8.8%
Marketing						
Payroll & Related	$422	$404	**	2.4%	2.1%	**
Other	1,059	1,002	**	5.0	4.7	**
Total	$1,427	$1,416	$1,909	7.5%	7.4%	8.0%
Energy Costs	$995	$896	$1,073	5.4%	5.5%	4.2%
Property Operations & Maintenance	$839	$893	$980	4.8%	5.2%	4.0%
Total Undistributed Operating Expenses	$4,819	$4,923	$6,592	27.9%	27.6%	26.2%
Income Before Management Fees	$7,175	$7,721	$9,081	41.5%	45.6%	32.5%
Management Fees (Base & Incentive)	$740	$855	$735	4.8%	4.7%	3.0%
Income Before Fixed Charges	$6,631	$6,736	$9,701	38.0%	39.4%	30.6%

*All amounts are medians and do not necessarily add to totals shown
**Insufficient response

APPENDIX I: EXPLANATION OF TERMS

Room sales

Guest rooms revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and other income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and related expenses—rooms department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and related expenses—administrative and general

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed operating expenses—administrative and general

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

Energy

The costs of fuel, electrical current and water.

Payroll and related expenses—property operation and maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures, and equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property operation and maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income before fixed charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

APPENDIX II: UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research and Development Division of Laventhol & Horwath utilize medians for the majority of the reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if nine responses were received for the number of full-time employees —8,4,2,6,9,7,5,1,3, these numbers would be arranged sequentially— 1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, means are used to report data, but we believe the median is the most appropriate method to report our results, because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding restaurants incurred large operating losses, these losses, would be divided evenly among all restaurants in the sample (when using mean calculations) and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles.

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is each line item is analyzed separately! In the accompanying table (page 55) when all amounts are arranged sequentially, the median net profit amount per seat for total sales is $4,599. This figure is based on the 431 hotels with restaurants* that provided information for this specific line item. The median net profit amounts per seat for total

**The number used for sample sizes are representative and are not actual sample sizes.*

food and beverage sales were $3,700 and $1,112 respectively. These two amounts were analyzed on a sample of 400 restaurants that provided separate food sales and beverage sales figures (31 provided only the total for food and beverage sales, not separate food and beverage sales figures). Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason why columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate restaurants, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms MEAN, AVERAGE, and ARITHMETIC MEAN are all synonymous. A mean is calculated by adding the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

Table II is a group of restaurants that responded to number of seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of L&H studies report the data as medians.

Table I
(Sample Data)

	Net Profit Per Seat		
	Lower Quartile	Median	Upper Quartile
Sales			
Food	$2,196	$3,700	$5,442
Beverage	527	1,112	1,747
Total Sales	2,863	4,599	7,030
Cost of Sales			
Food	786	1,469	2,258
Beverage	146	276	479
Total Cost of Sales	982	1,741	2,686
Gross Profit	1,877	2,920	4,460
Other Income	11	31	82
Total Income	1,953	2,957	4,517

Table II
Restaurant Seating
(Sample Data)

Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 x Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

BASES AND SIGNIFICANCE OF LODGING STATISTICS

Number of Suites

The number of suites used in several computations is the total number of suites available for guest rental during the year. All suites used for management, employees and storerooms are not included in these totals.

Room Occupancy

The percentage of room occupancy is computed by dividing the total number of rooms occupied by the total number of rooms available for occupancy throughout the year. Seasonal fluctuations are thus removed, allowing properties in various locations to be compared for the same period. Seasonal variations can be seen when analyzed on a monthly basis, such as in the *National Trend of Business in the Lodging Industry*.

Average Suite Rate

The average suite rate is computed by dividing rooms revenue, net of all allowances, by the total number of suites occupied. Affecting this rate is the percentage of double occupancy associated with each property. Double occupancy is the percentage of rented suites occupied by two or more persons. As the double occupancy increases, the suite rate also should rise, since lodging facilities customarily charge a fee for each additional person occupying the guest suite.

Comparison of Operating Results

Due to the current uncertainties surrounding financing methods, operators of lodging establishments may lease all or part of their assets. Because of high construction and interest costs, many operators have turned to creative financing techniques. Fixed costs may differ significantly for operators who lease their assets compared with those who own theirs. It is difficult to compare those operations with high depreciation and interest charges with those that are not required to pay any of those fees. To alleviate any possible difficulties in comparison, it is recommended that the reader analyze results before fixed charges are deducted.

Productivity Index

The productivity index measures employee productivity in terms of the total revenue received for each dollar spent on payroll expenses. It is computed by dividing total revenue by total payroll and related expenses.

Inventory Turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

PROPERTY ANALYSIS

This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.

Worksheet

(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Revenues			
Rooms			
Food			
Beverage			
Other Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Income Before Income Taxes			
Reserve for Capital Replacement			

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as advisor to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing and marketing lodging properties.

The following list contains the services that L&H provides to the lodging industry as well as the contact person:

National Contacts

Area of Specialization	Office	Contact
National Leisure Time Partner	Los Angeles, CA	Saul F. Leonard
National Director, Leisure Time Industry Consulting	Executive Offices	Thomas W. Lattin
Organizational Consulting	Chicago, IL	Edwin T. Cregr & Edward A. Kazemek
Systems and Technology	Executive Offices	George K. Van Ness
Leisure Time Research	Executive Offices	Mark V. Lomanno
Information Retrieval	Executive Offices	Marjorie Hill

Local Contacts

Office	Practice Leader	Office	Practice Leader
Atlanta, GA	R. Mark Woodworth	Miami, FL	M. Chase Burritt
Boston, MA	Peter A. Griffith	Minneapolis, MN	Stephen Sherf
Charlotte, NC	Geoffrey Kirkland	New York, NY	Bjorn Hanson
Chicago, IL	Richard Conti	Palm Beach, FL	John Johnson
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Kansas City, MO	Jeffrey Marvel	Tampa, FL	Charles Ross
Las Vegas, NV	Ralph Piercy	Washington, DC (Rockville, MD)	Wesley Ayre
Los Angeles, CA	Brit Colbert		

Laventhol & Horwath

Leisure Time Industries Department

Executive Offices: 1845 Walnut Street, Philadelphia, PA 19103
215-299-1600 Telex: 83-1396 HORWINTAS PHA

Arizona
3200 N. Central Ave., 16th Floor
Phoenix, AZ 85012
602-234-0900

5151 E. Broadway, Suite 1200
Tucson, AZ 85711
602-790-2255

California
650 Town Center Dr., Suite 1100
Costa Mesa, CA 92626
714-556-4244

3699 Wilshire Blvd.
Los Angeles, CA 90010-2726
213-381-5393
Telex: 4992753 HORWINTAS LSA

Two Century Plaza, Suite 3700
2049 Century Park East
Los Angeles, CA 90067
213-553-1040
Telex: 5564607

P.O. Box 121525
101 W. Broadway, Suite 1300
San Diego, CA 92101
619-236-1000

425 Market St., Suite 3600
San Francisco, CA 94105
415-896-1800
Telex: 384061

Colorado
370-17th St., Suite 2100
Denver, CO 80202
303-595-4000
Telefax: 303-825-7132

Connecticut
Park City Plaza
10 Middle St.
Bridgeport, CT 06604
203-333-5133

District of Columbia
1101-17th St. N.W., Suite 1200
Washington, D.C. 20036
202-296-2250

National Tax Services Group
1101-17th St., N.W., Suite 704
Washington, D.C. 20036
202-463-0700

Florida
Two Alhambra Plaza
7th Floor
Coral Gables, FL 33134
305-442-2000
Telex: 264822 LH MIA UR

500 E. Broward Blvd., Suite 1400
Ft. Lauderdale, FL 33394-3089
305-760-9000

Ashley Tower
100 S. Ashley Dr., Suite 1500
Tampa, FL 33602
813-228-7555

1645 Palm Beach Lakes Blvd.
Suite 1100
West Palm Beach, FL 33401
305-689-6600

Georgia
225 Peachtree St., N.E.
Suite 2100, South Tower
Atlanta, GA 30303
404-581-0100

Illinois
P.O. Box 2618
1116 W. Main St.
Carbondale, IL 62902-2618
618-457-8158

300 S. Riverside Plaza
Chicago, IL 60606
312-648-0555

40 Skokie Blvd., Suite 500
Northbrook, IL 60062
312-498-3400

Marriott Commerce Bldg.
509 S. Sixth St.
Springfield, IL 62701
217-544-8955

Indiana
One American Square
Box 82051, Suite 2210
Indianapolis, IN 46282
317-631-0700

Maryland
Investment Building
One Investment Place
Baltimore, MD 21204
301-821-8300

Massachusetts
Two Center Plaza
Boston, MA 02108
617-742-6100
Telex: 940899 LAV HOR BSN

Michigan
3000 Prudential Town Center
Suite 3200
Southfield, MI 48075-1358
313-354-6000

Minnesota
100 Washington Square
Suite 1650
Minneapolis, MN 55401
612-332-5500

Missouri
Commerce Bank Building
Suite 1000
1000 Walnut Street
Kansas City, MO 64106
816-221-6500

Ten Broadway, Suite 1000
St. Louis, MO 63102
314-421-1710

Nevada
Valley Bank Plaza, 14th Floor
300 South 4th Street
Las Vegas, NV 89101
702-384-1120

New Jersey
Turnpike Plaza Bldg.
P.O. Box 11
197 Highway 18
East Brunswick, NJ 08816
201-257-6000

New York
445 Broad Hollow Rd.
Melville, L.I., NY 11747
516-694-0530

919 Third Ave.
New York, NY 10022
212-980-3100
Telex: 236501 LNH UR

1776 Broadway
New York, NY 10019
212-586-6015
Telex: 640279

North Carolina
One NCNB Plaza, Suite 3500
Charlotte, NC 28280
704-377-0220

Ohio
National City Center
1900 E. 9th St.
Cleveland, OH 44114
216-696-4770

Capitol Square
65 E. State St., Suite 902
Columbus, OH 43215
614-221-9494

8256 E. Market St., Suite 127
Warren, OH 44484
216-856-2134

Oregon
111 S.W. Fifth Ave.
Suite 1800
Portland, OR 97204
503-221-0141

Pennsylvania
P.O. Box 1865
Harrisburg, PA 17105
717-761-7171

Jamestown Building
102 Cheeley Drive
Media, PA 19063
215-565-0411

1845 Walnut St.
Philadelphia, PA 19103
215-299-1700
Telex: 83-1396
HORWINTAS PHA

15 S. Franklin St.
Wilkes-Barre, PA 18701
717-822-1174

Puerto Rico
1701 Banco Popular Center
Hato Rey, PR 00918
809-765-5580

Rhode Island
One Hospital Trust Plaza
7th Floor
Providence, RI 02903
401-421-4800

Texas
2121 San Jacinto St.
Suite 1700
Dallas, TX 75201
214-754-7100
Telex: 730903
HORWINTAS DAL

333 Clay St., Suite 1100
Houston, TX 77002
713-658-1071
Telex: 312061
HORWINTAS HOU

Washington
1430 Skyline Tower
10900 Northeast 4th St.
Bellevue, WA 98004
206-462-9300

2100 Columbia Center
701 Fifth Ave.
Seattle, WA 98104
206-621-1900

DIVISIONS

RETIREMENT & EMPLOYEE BENEFIT CONSULTING ASSOCIATES

Two Center Plaza
Boston, MA 02108
617-742-8100
Telex: 940899 LAV HOR BSN

300 S. Riverside Plaza
Chicago, IL 60606
312-930-0002

400 Park Ave.
New York, NY 10022
212-421-9710

919 Third Ave.
New York, NY 10022
212-980-3100
Telex: 236501 LNH UR

1845 Walnut St., Suite 1400
Phila., PA 19103
215-563-9930

1710 E. Indian School Rd., Suite 201
Phoenix, AZ 85016
602-277-2371

1099 Wall Street West
Lyndhurst, N.J. 07071
201-896-9616

CONSTRUCTION CONSULTING DIVISION

Levien, Rich & Company
305 East 46th Street
16th Floor
New York, NY 10017
212-832-0450

300 South Riverside Plaza
Chicago, IL 60606
312-648-0555

2121 San Jacinto Street
Suite 1700
Dallas, TX 75201
214-754-7100

425 Market Street
Suite 3600
San Francisco, CA 94105
415-896-1800

BUSINESS MANAGEMENT

Two Century Plaza, Suite 3700
2049 Century Park East
Los Angeles, CA 90067
213-553-1040
Telex: 686374

1776 Broadway
New York, NY 10019
212-586-6015
Telex: 640279

SUBSIDIARIES

General Systems Company, Inc.
Turnpike Plaza Bldg.
197 Highway 18
East Brunswick, NJ 08816
201-545-3600

Valuation Counselors, Inc.
340 Interstate North Pkwy., Suite 440
Atlanta, GA 30339
404-955-0088

One Center Plaza
Boston, MA 02108
617-742-6766

230 W. Monroe St.
Chicago, IL 60606
312-368-0200

National City Center
1900 East 9th St.
Cleveland, OH 44114
216-696-7326

2121 San Jacinto St., Suite 1700
Dallas, TX 75201
214-953-0915

370 - 17th St., Suite 2100
Denver, CO 80202
303-595-4414

2000 West Loop South, Suite 1090
Houston, TX 77027
713-877-0200

2049 Century Park East
Suite 3760
Los Angeles, CA 90067
213-553-1515

919 Third Ave.
New York, NY 10022
212-888-7722

Princeton Pike Office Park, CN 30
Princeton, NJ 08543-0030
609-896-0300

Park 270 Building I, Suite 202
1807 Park 270 Dr.
St. Louis, MO 63146
314-576-0035

One Metropolitan Plaza
425 Market St.
San Francisco, CA 94105
415-974-5382

HORWATH & HORWATH INTERNATIONAL

HORWATH & HORWATH INTERNATIONAL
Headquarters: 919 Third Avenue, New York, NY 10022
212-980-3100 Telex: 236501 LNH UR
(Partner and correspondent firms in these countries)

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Argentina
Australia
Austria
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